

Nationalism^{and} the Economy

Explorations
into a Neglected
Relationship

Edited by
Stefan Berger and
Thomas Fetzner



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Central European University Press
Budapest–New York

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Published in 2019 by

Central European University Press

Nádor utca 11, H-1051 Budapest, Hungary

Tel: +36-1-327-3138 or 327-3000

Fax: +36-1-327-3183

E-mail: ceupress@press.ceu.edu

Website: www.ceupress.com

224 West 57th Street, New York NY 10019, USA

Tel: +1-732-763-8816

E-mail: ceupress@press.ceu.edu

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Publication of this book was made possible, in part, by a grant from the First Book Subvention Program of the Association for Slavic, East European, and Eurasian Studies.

ISBN 978-963-386-198-1

Library of Congress Cataloging-in-Publication Data

Names: Berger, Stefan, editor. | Fetzter, Thomas, 1974- editor.

Title: Nationalism and the economy : explorations into a neglected relationship / edited by Stefan Berger and Thomas Fetzter.

Description: Budapest ; New York : Central European University Press, 2019. | Includes bibliographical references and index.

Identifiers: LCCN 2018009050 (print) | LCCN 2018020950 (ebook) | ISBN 9789633861998 (pdf) | ISBN 9789633861981 (hardcover : alk. paper)

Subjects: LCSH: Nationalism--Economic aspects. | Economics--Political aspects.

Classification: LCC JC311 (ebook) | LCC JC311 .N221234 2019 (print) | DDC 320.54--dc23

LC record available at <https://lcn.loc.gov/2018009050>

Printed in Hungary by
Prime Rate Kft., Budapest

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Introduction

Stefan Berger and Thomas Fetzner

When Walter Rathenau modified Napoleon's well-known quotation—that politics would be Germany's fate—to “the economy is our fate,” he was motivated by the strong belief that Germany's greatness as a nation was strongly linked to its economic performance. In other words: a successful economy was the precondition for a successful nation-state. Nationalism would only work for Germany against the background of a successful economy (Greve 1990).

Emphasis on economic well-being as a crucial element of nation-building was not confined to Germany, and it was just one of the many possible ways in which the development of nationalist ideologies and sentiments became linked to the economic realm. Indeed, those links appear to be as salient in the present as they were in the past—witness, for example, the upsurge of nationalist media rhetoric during the recent Eurozone crisis.

As our surveys in chapters 2 and 3 demonstrate, however, the nationalism-economy nexus has remained an underexplored theme in the historical literature on nations and nationalism, as well as in political economy scholarship. In nationalism studies (see Berger, chapter 2), research agendas have generally been dominated by cultural and political questions. Numerous “modernist” approaches—from Gellner to Anderson and Hobsbawm—have conceptualized various economic processes as crucial preconditions for the emergence of nationalism. Others, like Liah Greenfeld, argued for the opposite: nationalism, for her, has been the driving force behind the emergence of modern economic thinking. But in each of these models, the economy remained as an external realm rather than a constituent part of nationalism. In the more culturally oriented approaches (e.g. A.D. Smith's ethno-symbolism), the economic dimension was hardly addressed at all.

For their part, most economists and political economy scholars use the term “economic nationalism” as a synonym for protectionism. In doing so, they misleadingly equate nation and state, and anachronistically trace economic nationalism back to early modern mercantilism. “Infant industry” protection is still considered as the classic case, but there are many other

variants such as “monetary nationalism” (see Hayek 1937) or “resource nationalism” (Domjan and Stone 2010)—the latter defined simply as government policies to take control over the exploitation of minerals and other natural resources. A constructivist counter-current has emerged recently, but it suffers from various shortcomings, and has so far been unable to displace traditional understandings (see Fetzner, chapter 3). In a nutshell, while there is not enough economics in nationalism studies, there is not enough nationalism in political economy scholarship.

Yet, outside the two core disciplines, a great deal of interesting work has appeared in recent years that addresses the nationalism-economy nexus in a multitude of ways. In the literature on nationalist movements, for example, recent work has not only revived the older debate on the importance of relative economic deprivation for separatist movements (see e.g. Herrera 2005), but has also widened our understanding of the economic agendas behind such movements. In historical perspective, the importance of economic “self-reliance” campaigns has been particularly highlighted through consumer mobilization to “buy national” and/or boycott foreign products (Gerth 2003; Trivedi 2003; Lorenz 2006) as well as coordinated attempts to acquire and/or maintain control over land and productive resources (see e.g. Engerman and Metzer 2004). From a more contemporary perspective, recent literature has pointed to the importance of principles of socio-economic organization for nationalist agendas. Movements like those in Scotland or Quebec seek to justify separatism not least in terms of their communities’ alleged greater propensity for economic redistribution and welfare for the poor (see Bélard and Lecours 2008).

Innovative scholarship has also enhanced our understanding of how nationalist ideology underpins state-led processes of economic modernization and the ways in which such processes, in turn, have helped “nation-building.” This theme has been primarily explored in the context of “late” or “catch-up” development—Germany and the United States in the nineteenth century (Etges 1999), Eastern Europe and Latin America in the interwar and early postwar periods (Schultz and Kubů 2006; Szlajfer 2012), and more recent experiences in South and East Asia (Desai 2008). From a different angle, nationalist ideology has also been explored through the lens of national unity and solidarity. For example, researchers have pointed to the importance of economic issues for homeland-diaspora community building, as appeals to patriotism often underpin specific programs that lure diaspora resources toward economic development in the homeland (see e.g. Nyíri 2001).

Inside national territories, the national solidarity theme has been picked up in research on welfare and economic redistribution as nation-building. In historical perspective, many scholars have identified the nationalist imprint on early welfare systems in a large number of countries (Wagner,

Didry, and Zimmermann 2000). Others highlight the continued relevance of the welfare-nationalism nexus in contemporary societies (Béland and Lecours 2008). Consumption has also been associated with national unity and solidarity in recent scholarship, with particular regard to the ways in which consumption has become an implicit element of citizenship. As access to certain consumer goods was elevated to a quasi-entitlement, the new “consumer-citizen” acquired obligations toward the nation—whether defined as frugality to survive times of hardship and help autonomous development through savings, or, conversely, as a generalized “shopping imperative” to sustain national economic growth (Daunton and Hilton 2001; McGovern 2006). More recently, a new trend of “nation branding” has emerged as countries around the world seek to project favorable images of themselves to attract foreign consumers, investors, and tourists (Van Ham 2001).

Finally, a great deal of new scholarship has emerged in the field of everyday, or “banal,” economic nationalism (Billig 1995). Rather than analyzing nationalism as an elite-driven ideology, the focus lies here on notions of national belonging in the broader society and how such notions are shaped by everyday economic discourses and practices. At the most basic level, scholars have highlighted how such banal notions of belonging are continuously reproduced through ubiquitous representations of national economies as distinct, bounded, and statistically measurable spaces (see e.g. Mitchell 1998). Beyond these profane reminders of the existence of a distinct national space, economic life has been demonstrated to help entrench notions of national uniqueness, whether it is in the form of “national economic cultures” (see e.g. Conrad 2010; Trentmann 2008) or national pride in home-grown technology (Adria 2010). Numerous studies have also been dedicated to the ways in which consumer goods are invested with national meaning—from food and drink (Wilson 2006) to various industrial goods such as clothing, furniture, and automobiles (see Edensor 2002; Kühschelm, Eder, and Siegrist 2012).

As a whole, this large new body of scholarship strongly suggests that the economy needs to be taken seriously as a constituent part of nationalism rather than neglected as an external realm, which is frequently the case in mainstream nationalism studies research. Economic thought and action rely on cognition and meaning to make sense of the world and to face situations of uncertainty (Abdelal, Blyth, and Parsons 2010). To juxtapose them as the “rational other” of nationalism and national belonging is thoroughly misleading. Indeed, while processes of globalization may undermine national economies as bounded and closed spaces, recent research strongly suggests that these processes tend to reinforce, rather than weaken, the nationalism-economy nexus (see e.g. Young, Zuelow, and Sturm 2007). The survival of nationalism in a globalizing world cannot be reduced to the

question of nationalism's cultural resilience (Smith 2009), but also needs to address the economic dimension of nationalism itself.

So far, however, all the innovative literature on the nationalism-economy nexus has remained scattered across subjects and disciplines and its visibility in the broader field of nationalism studies has thus been very limited. Our volume is the first attempt to bring different strands of this new literature together, and in doing so, to make a strong case for the need to take the nationalism-economy nexus more seriously. As the volume is a pioneering effort, our main aim is to map the field as widely as possible—including the identification of gaps—and to open new areas of debate and dialogue. We very much hope that this will help to entrench economic themes in nationalism studies as well as advance research on nationalism in political economy scholarship.

In line with this aim, the volume explores the theme in a very pluralistic way. Our contributors come from disciplines as diverse as economic and cultural history, political science, business studies, as well as sociology and anthropology. Their chapters address the nationalism-economy nexus in a variety of realms, including trade, foreign investment, and national control over resources, as well as consumption, migration, and welfare state policies. Some of the case studies have a historical focus on nation-building in the nineteenth and early twentieth centuries, while others are concerned with contemporary developments. Several contributions provide in-depth analyses of single cases while others employ a comparative method. The geographical focus of the contributions varies widely, although, on balance, the majority of our authors deal with European countries.

Given the exploratory nature of the volume, we have also avoided rigid analytical grids and conceptual straightjackets. Many contributors approach nationalism as an ideology that helps support state-led economic modernization processes, but some authors place stronger emphasis on nationalism as a political movement outside the state, or address more diffuse patterns of “banal nationalism” in the broader society. In conceptual terms, only a few of the contributions operate with specific definitions of “economic nationalism” (e.g. Etges, chapter 5 and Delcea, chapter 9). Others prefer “nationalism” in specific relation to their subfield, while some opt for different terms like “national interest” (Šćepanović, chapter 12) or “nationalization” (Kühnschelm, chapter 10). While this may seem at times confusing for the reader, it is an inevitable part of our attempt to map a broad field of studies, which has so far never been considered as an interconnected body of literature. As we argue in more detail below, greater conceptual clarity is a key task for future work.

Overview of Contributions

The volume's diverse explorations into the field of economic nationhood and economic nationalism begin with Harold James' intriguing argument regarding the long-term relationship between perceptions of the economic as such and ideas surrounding political order from the nineteenth century to the present. During the nineteenth century, numerous thinkers tied economics to specific justifications for existing or emerging nation-states. In other words, the existence of nation-states was justified with reference to economic processes. The same is true for the contemporary European Union, where an emerging transnational order is also prominently justified through economic claims. In the nineteenth century, nationalists turned from philosophy and culture to economics. Nation-state building was intimately connected to questions of power and, apart from military power, economic power was seen as the key to successful nation-state building. Hence forms of economic determinism can be found not only in Marx's work, but also in the writings of liberal-conservative thinkers on *Realpolitik* and nation-building.

Internal nation-building, James argues, was carried out through a series of civil wars which invariably were also wars over economic hegemony. Thus the German civil war between Prussia and Austria in 1866 confirmed the economic hegemony of Prussia in the German Confederation and paved the way for the small-German solution to the German Question in 1871. The unification of Italy came about amid a civil war between the North and South that also involved Northern Italian states consolidating their economic superiority over the South. In addition, the American Civil War did not only concern the abolition of slavery in the South, but also determined which of the rival economic systems in the United States would dominate. For businessmen in the industrialized parts of the world—such as Alfried Krupp—national unity was a business calculation and followed considerations of economic self-interest. James' chapter demonstrates that nineteenth-century nation-building had strong economic imperatives, and argues that the links between specific political orders and corresponding economic systems remained strong in the twentieth century. Thus he uses the case of the Federal Republic of Germany to show how economic success and the ensuing Deutschmark nationalism was used as a means to "free" the country of its problematic past and re-focus patriotic sentiments.

State-building was linked to economic considerations at every important turn of European history, be it 1848, 1945, or 1989. The building of the European Union itself, James concludes, was intimately connected to economic aims. He emphasizes the need for the economic stabilization of nation-states after the Second World War, crafting a common agricultural policy, as well as an integrated strategy for the European coal and steel

industries. The strength of economic nationalism that frames national and European thinking about national and European identity can be seen when scrutinizing the debates surrounding the introduction of the Euro. For some, the monetary union was a devious plot by Germany to control Europe; for others, it amounted to a virtuous action by Germany to make Europe competitive in global markets. Both, according to James, were equally wrong, but they showed the prevalence of thinking in terms of economic nationalism. Indeed, the financial crisis that has kept Europe occupied since 2008 has multiplied the languages of economic necessity and strength that are so reminiscent of the nineteenth century.

Overall, James' chapter serves as a powerful reminder of the strong interrelationship of the national and transnational in European forms of economic nationalism from the nineteenth century onward. Different spatial scales interacted to promote diverse forms of economic nationalism that in turn had complex interactions with other cultural and political nationalisms. The ways in which these interactions took place, how they promoted diverse forms of nationalism, and identifying the precise role of the economic dimension in these mixes of nationalism are questions that require considerable research to answer. James' chapter points toward basic underlying continuities between economic nationalism and state-building, but it also raises the questions whether one can identify change over time and what such change might consist of. Furthermore, James' main concern regards states and state-building from the top, that is, from governments as well as powerful political and economic elites. Yet, one may also ask about other actors in civil society: if one adopts a more bottom-up perspective on economic nationalism, does the field become more diffuse and difficult to measure? If this is so, would not one of the key tasks for future studies of economic nationalism lie in a move away from power politics, ideological constructs, and intellectual elite discourses to studies of "the everyday" as well as an historical anthropology of economic nationalism?

While James does not use the distinct terminology of economic nationalism, the contribution by Etges starts out with a specific definition. Pointing out that the term "economic nationalist" can be traced back to Max Weber's famous inaugural lecture at the University of Freiburg in 1895, Etges mentions that subsequently "economic nationalism" often took on the meaning of tariffs, import restrictions, and autarky. The term was frequently identified with forms of mercantilism. Yet, as Etges points out, both protectionism and free trade could be forms of economic nationalism. In its strong links to modernization and developmentalism, nationalism often included a prominent element of *economic* nationalism. Friedrich List had already pointed out that the idea of the nation and the idea of a national economy emerged around the same time and were tightly interconnected. Etges goes on to define economic nationalism "as thinking and

acting with regard to the idea of a nation as an economic unit.” Its central concerns were to maximize the power of the nation-state, and, if necessary, to achieve national independence.

In his subsequent comparison of economic nationalism in Germany and the US during the long nineteenth century, Etges distinguishes two phases. During the first phase, economic nationalism was promoted as a developmental and unifying program that originated in both countries from the perception of economic backwardness compared to Great Britain. Alexander Hamilton and Friedrich List, among others, were both searching for economic means to unify the nation. Such unification ultimately came about through military means in both countries—the wars of unification between Prussia and Austria and the American Civil War. Etges argues that the second phase began after these wars, when economic nationalism shifted its focus from internal unity to external competition with other nation-states. The concern with reciprocity treaties and protective tariffs, as well as the prominence of Social Darwinist language, highlights the imperialist ambitions of both countries. The alleged struggle for life would be won on the economic field and therefore both countries witnessed the increased organization of economic nationalism in the form of interest organizations and industrial lobby groups. Throughout the period under discussion here, the nation was economized while the economy was nationalized in both the United States and Germany.

If James’ chapter points to the fruitfulness of transnational approaches to economic nationalism, Etges highlights how productive comparative perspectives can be. So far we have too few of them. The US and Germany here appear as remarkably similar stories, but what would occur if we widened the comparison and added other storylines? Etges touches on fields of economic nationalism that could be the focus of further comparative investigations—they include national solidarity through economic redistribution and internal unity as a precondition for external dominance and aggressiveness. Both the US and Germany were prominent cases of unification nationalism. Is their particular path characteristic of other unification nationalisms such as Italy? Does the story of internal unity and external dominance look entirely different if we add old empires or nations struggling to free themselves from empires in the nineteenth century? Different types of nationalism and diverse understandings of nationalism—for example, national movements, pre-state nationalisms, and governmental strategy—have a huge impact on the types of economic nationalism that we observe in the modern period. What kind of typologies of economic nationalism can we construct by observing the development of economic nationalism on a global scale?

The chapters by James and Etges examine comparative and transnational dimensions of economic nationalism as well as how to think of the

nation in economic terms. With the chapter by Jacob Metzger, we examine a highly specific aspect of economic nationalism, namely the importance of land regimes to national economies. Starting from the strong connection between territory and national identity, Metzger discusses the role of land in Jewish and other forms of nation-building. Land regimes were strongly interrelated with questions of property rights and territorial sovereignty. Metzger distinguishes between a nationalist perception of land as inalienable and a liberal perception of land as a form of economic good that can be bought and sold. The Jewish-Israeli perception of land serves in Metzger's account as a strong example of the ethno-nationalist understanding. Metzger argues that the Zionist organizations that first promoted such an understanding of land ironically took their cue from the Germanization policies of Imperial Germany in Prussian Poland before 1914—another intriguing example of the importance of transnationalism for a proper understanding of economic nationalism. His survey of other land regimes—both nationalist and liberal—in Fiji, the Baltic States, Switzerland, the United States, and Australia highlight again the importance of sustained comparison in subfields of economic nationalism studies. His chapter also underlines that it may not be wise to build typologies that are too rigid and closed-off, for it is quite clear that many liberal land regimes also included ethno-nationalist elements and vice versa. Comparative nationalism studies have, over recent years, demolished the rigid distinction between liberal and ethnic forms of nationalism which should serve as a warning not to recreate strict binary typologies in other areas of comparative research.

Metzger, like the contributions of James and Etges, underlines the importance of economic nationalism, specifically land rights, for nation-building processes. His chapter emphasizes the role of states, but it also highlights that states can only act successfully in collaboration with other civil society-based organizations, such as the Jewish National Fund in Israel. This points toward a need to bring top-down and bottom-up approaches together, as it seems most promising to examine the interaction between the two in the furthering of common, but possibly also divergent, aims. Finally, Metzger's chapter powerfully underlines how economic nationalism can have utter disregard for basic economics. The kind of land nationalism that is described in the case of Palestine and Israel demonstrates that land can be essentialized to an extent where it is no longer an economic commodity that can be bought and sold, that is, land is no longer an economic resource. Instead, the economy becomes "nationalized" to such an extent that it stands outside of economics.

With Žarko Lazarević's chapter, we have another excellent example of the strong interaction between different spatial regimes, albeit in this case not between the nation and the transnational, but between the regional and the national. We know that regional frames often serve as building blocks

for the national, but at the same time the regional could itself become national. It begs the question: When do regions become nations and how does this transformation come about? Lazarević highlights the discrepancies between the economic-social development of Yugoslavia and its ethnic federalization. The latter process, he argues, did not stop political tensions, but did further the nationalization of regional economies. In other words, ethnic federalization led to economic nationalization. Highlighting the slow economic integration of the Yugoslav republics, Lazarević analyses the dissatisfaction in some of the better-off republics of Yugoslavia with the cross-subsidization of poorer republics, and argues that, over time, the individual republics acted more and more as independent political and economic units. Serbia, Croatia, and Slovenia all developed different economic strategies based on their respective national interests. He concludes by arguing that economic issues are vital for the long-term stability of multiethnic, multinational states, especially where levels of economic development are quite disparate. In the case of Yugoslavia, political decentralization worked against further economic integration, and, in turn, the economic disparities, combined with strong ethnic and political differences, proved fatal for the Yugoslav state.

This intriguing argument about the economic demise of Yugoslavia cries out for comparison with other federated systems, such as the Soviet Union. It raises questions about the importance of the economy in ethnic conflict and it points in the direction of bringing the literature on economic nationalism into a fruitful dialogue with the literature on ethnic conflict and nationalism—pace Walker Connor's (1994, chapter 6) view that economic explanations of nationalism are flawed. Instead it would appear that we need to take ethnic conflict more seriously in the analysis of economic nationalism. The chapter opens up another constructive pathway into the study of economic nationalism by highlighting the importance of regional economic perspectives for nationalism. Hence it is clear that for Croatia, the Adriatic was the space in which to develop its economy, whereas for Serbia the Danube was much more important.

In line with many other authors in this volume, Sergiu Delcea discusses economic nationalism as an elite project. He points out that in interwar Romania, urban elites saw the welfare state as part and parcel of a comprehensive modernization of the country. One key problem in Romanian nation-building was the near-absence of indigenous economic elites, with a majority of businessmen in Romania having Hungarian, German, or Jewish backgrounds. Thus the development of professions through public-sector employment served as a means to create an indigenous elite comprising of the free professions, bureaucrats, and lawyers. Many of them were to be employed in the expanding welfare sector, while many welfare state policies—as in the realm of pensions and family policies—were directed at

those urban elites, seen widely as a key modernizing factor. By contrast, Romanian peasants, perceived by Romanian nation-builders of the nineteenth century as the uncorrupted core of the Romanian nation long before the existence of the Romanian state, were excluded from this vision of the modernized nation-state. Delcea's chapter is an important contribution to the growing body of literature on internal nation-building through the construction of welfare. Here, once again, the state and its agencies were key. But by mentioning the exclusion of the peasant from the image of the modernizing Romanian nation during the interwar period, Delcea also points to the contestation of different nationalisms within one and the same nation-state. Here, an intriguing question is whether economic nationalism had a penchant to ally itself with modern, forward-looking forms of nationalism. Once again, comparative perspectives on these Romanian case studies would be quite useful, especially if they could be expanded to include top-down statist perspectives as well as perspectives from the midst of civil society and its actors.

This is precisely where Oliver Kühschelm's contribution helps us to better understand the far more diffuse aspects of nationhood that come with the worlds of product communication and advertising. A range of civil society actors, mainly from the business world, are shown as actors that brand the nation. The state is not entirely absent from the story, especially in the various "buy national" campaigns that are also discussed in this chapter, but many of the campaigns analyzed here are organized by companies as civil society actors rather than by states or nationalist political movements. Adapting Michael Billig's model of "banal nationalism," Kühschelm discusses iconic national products, such as VW or Manner Wafers, which combine product advertising with expressions of national identity. During times of economic crisis or state foundation, branding products along national lines is, he argues, particularly prominent. Through a variety of discourses and practices, the nation reproduces itself in the field of product communication.

Kühschelm's chapter highlights the need to develop the field of national branding as an important subfield of economic nationalism. Since the national branding of products involves, in the main, companies, this research will also underline the bottom-up approach to economic nationalism. Bernhard Rieger's study on the Volkswagen Beetle is a good example of how these two approaches can be fruitfully combined (Rieger 2013). In examining these approaches to national branding, it is noticeable that these analyses are strongest when they combine the study of discourses with the study of practices. Following Kühschelm's intriguing remarks on the topic, it will be most interesting to focus on the role of national branding in moments of crisis for individual nation-states. If there is an inverse relationship between the strength of the nation-state and the prominence of national

branding, it would also be intriguing to trace waves of economic nationalism and analyze their relationship to notable crisis points in national history. And, of course, to date we know next to nothing about the reactions of consumers to national product campaigning. While there is a methodological problem in the scarcity of sources dealing with the reception of forms of economic nationalism among ordinary people, scholars ought to try and conduct more research into consumers' reactions to national product campaigning.

Unlike the long-established use of national symbols and language for corporate marketing, "nation branding" by states is a much more recent invention. As the chapter by Mordhorst points out, nation branding should be understood as a response to globalization. Globalization forces states to compete, and this competition state—intent on helping companies to survive in the global marketplace—perceives the nation first and foremost as cultural and economic capital that can be exploited. The state, in other words, is intent on selling the nation to the outside, including the important target group of foreign investors. Nation branding can therefore be also described as a form of public diplomacy that is focused on its commercial success. The better the nation's image, the more it will be able to attract investors and convince consumers. According to Mordhorst, the core of nation branding lies here. In line with James, Mordhorst's interpretative framework shows clearly that economic nation-building has been neglected by scholarship in the past. He has a top-down approach to this theme, looking essentially from the level of the state. However, Mordhorst is also exploring the interrelationship of different spatial levels in the processes of nation branding. As he brings his story up to the present, one wonders whether today's public demonstration of economic nationalism is stronger simply because current globalization has a greater significance than in previous decades and centuries.

The limits of a globalizing discourse of nation branding are clearly shown in Vera Šćepanović's chapter, which focuses on "national interest," defined as the perception of what is best for the economic interest of the nation. Using the example of foreign direct investments, she shows how contested the notion of "national interest" tends to be. Despite the strong reemergence of political nationalism, we could not, until the recent populist turn in countries like Hungary or Poland, find any negative policies toward foreign investments in Central and Eastern Europe. To the contrary, many East-Central European states welcome foreign investors, hoping that economic nationalism can be combined with foreign investments. Once again, the conceptual diversity of studies into economic nationalism is striking. Here, "national interest" frames the meaning and practice of economic nationalism. It is no less top-down in its perspective than one that focuses on issues of globalization and it seems, indeed, in dire need of

further comparisons. But the chapter also powerfully underlines James' argument that 1989 is a moment of convergence of the national and the transnational. The question of investment affected numerous areas considered to be national: from land ownership to specific products of consumption to welfare.

The chapter by Pal Nyíri explores the interrelationship between nationalism and diaspora, particularly the way in which the Chinese diaspora serves as an economic development tool for the homeland. Whipping up nationalism among diasporic communities helps commit the latter to the cause of economic modernization in the homeland. Although focusing on China, Nyíri highlights other cases, including India and Hungary. Once again, we are confronted with a top-down story: it is the Chinese state that takes center stage as the author analyses the diverse ways in which the state mobilizes the Chinese diaspora. Appealing to the homeland spirit of the latter amounts to a classic case of economic nation-building through nationalism as a political ideology. As Nyíri (2007) has demonstrated previously, one can add a bottom-up perspective to the top-down perspective, one which looks at the relationship between nationalism and diaspora from the angle of members of diasporic communities.

The last two chapters of the volume go beyond the scope of previous contributions in that they explore the relationship between the economy and notions of identity and belonging beyond the national level. They do this in rather different ways. Hagen Schulz-Forberg, like James earlier, starts from the observation that national and transnational spaces are mutually constitutive. By focusing on the economic thinking of the 1930s, as well as the ways in which national and transnational spaces are intertwined, he comes to the conclusion that thinking in terms of national economies remained paramount during the biggest crisis of capitalism in its entire history to date. During the Great Depression, numerous economists recognized the strong interdependencies between national economies—indeed, transnational networks of economists were vital for the strong transnational outlook among them. But their linking of the national and the transnational was mostly done in the name of national interests. Liberalism, Schulz-Forberg points out, was a beleaguered strategy not only in political, but also in economic terms. During the 1930s, economists openly discussed the benefits of economic models provided by fascism and communism. In particular, fascist corporative models were discussed seriously by liberals in a range of networks, including the League of Nations, the Carnegie Endowment for International Peace, the Rockefeller Foundation, and the International Committee for Intellectual Cooperation. Schulz-Forberg argues that a new semantics of liberalism emerged during the 1930s that was built on social awareness and a positive attitude toward state intervention in the fields of national defense, social services, education, and science. In these

debates, Schulz-Forberg recognizes the blueprint for an international economic order that became reality with the post-1945 Bretton Woods regime, which in turn persisted as a model for the national economies of the West into the 1970s. Schulz-Forberg's chapter highlights the importance of examining in greater detail the expert, lobby, and pressure groups that have promoted and analyzed forms of economic nationalism throughout modernity. The discursive strategies developed within those transnational circles are vital to understand the development of forms of economic nationalism during different times in various national settings.

The concluding chapter by Thomas Fetzer on "economic European-ness" takes a rather different approach, which draws on recent scholarship to explore notions of "economic patriotism" at the local and supranational levels (see Clift and Woll 2012). Fetzer discounts the numerous attempts to delineate some specific and measurable "European economic model" and insists that "economic European-ness" needs to be understood as constructed through various actors who do not speak with one voice. Hence it is important, first of all, to point out who talks about the European economy, when, and where. Economics is frequently related to the construction of identities (as can be seen with the introduction of the Euro), but as the recent Eurozone crisis demonstrated, supranational monetary integration may equally entail an upsurge in nationalism and Euroscepticism. Fetzer's contribution highlights that we need more network studies to explore how the perceptions of economic elites of Europe have evolved over time (Kaiser and Meyer 2013). Indeed, we also need to explore what forms of banal nationalism were prompted by European economic integration.

Outlook

Taken together, the contributions to this volume make a strong case that the nationalism-economy nexus needs to be taken seriously by nationalism studies and political economy scholars alike. At the same time, the chapters highlight a number of challenges for future research, and we would like to conclude this introduction with a series of reflections on possible further directions for research. What are the lessons that we have learned and which avenues for further inquiry can be identified?

In the first place, as already highlighted earlier, the conceptual landscape has turned out to be quite heterogeneous. While this was an inevitable part of our exploratory mapping exercise, any further development of the field would require addressing these conceptual questions up front. On the one hand, greater efforts should be made toward a conceptual history. This could start from the main term used by political economists, "economic nationalism," for which some rudimentary genealogy is already

available (see Fetzer chapter 2). Yet, as is common for conceptual history (Steinmetz 2008), this needs to be connected to the wider discursive field. Other key terms to be explored include “national interest” and “nationalization”—the latter is a particularly intriguing term, which combines a broader meaning as the outcome of nationalizing processes along with a much narrower connotation of public ownership.

On the other hand, the conceptual issue also needs to be addressed for analytical purposes. As the title of our volume indicates, we have, at this stage, opted to delineate the field in a rather loose and descriptive way, which permits a wide and interdisciplinary canvassing of the subject. However, we are aware that such conceptual looseness has drawbacks in terms of analytical coherence. As researchers go beyond the exploratory mapping carried out in this volume, the need to delineate the field in more precise terms will likely become a pressing task.

We see two main possibilities here, both of which have benefits and drawbacks. A first option would be a radical widening of the term “economic nationalism” as traditionally used in political economy scholarship. Andreas Etges’ definition of economic nationalism (in this volume), as “thinking and acting with regard to the idea of a nation as an economic unit,” is a good example of such an approach. Based on a thorough critique of the narrow traditional understanding, Etges puts forward a very abstract alternative definition, which allows us to address the nationalism-economy nexus with a very wide canvas—from the economic transformation agendas of organized nationalist movements to banal everyday practices of nationalized product communication. Yet, such an approach also raises certain problems, which are well-known from conceptual debates in nationalism studies scholarship: What do we gain if we subsume such a variety of phenomena under one and the same term? Is such “concept stretching” normatively problematic? Would it not be more meaningful to separate analytically nationalism as ideology and movement from the more diffuse notions of national sentiment and belonging (Smith 2001; Breuilly 2013)?

A second, alternative option would be to differentiate between “economic nationalism” as an ideology aimed at building or supporting a nation-state, and “economic nationhood” as an umbrella term for more diffuse aspects linking economic processes, ideas, and practices to aspects of nation, national identity, and nationalism. One could thus avoid at least some of the possible problems arising from a widening of the “economic nationalism” concept. More importantly still, the concept of “economic nationhood” could potentially have cross-disciplinary appeal, and it would suit the task to delineate fields of study not yet clearly defined. On the other hand, however, “nationhood” is not a widely applied concept. Where it has been used in academic studies (see e.g. Canovan 1996), its meaning seems to resemble certain understandings of “nation.” Therefore, this ap-

proach might end up causing further confusion, rather than simplifying the conceptual landscape.

Moving beyond conceptual questions, a broad look at our contributions in conjunction with the wider recent literature reveals that there are still many empirical gaps and blank spots as well. For example, while we do have extensive literature on nationalism and land ownership, there is to date no significant constructivist intervention into the debates on “resource nationalism,” which are dominated by energy policy specialists (see e.g. Domjan and Stone 2008). Likewise, no attempt has yet been made to create a link with the booming literature on energy security, for example, through a conceptualization of economic nationalism as a discursive resource in processes of “securitization” (Buzan, de Wilde, and Wæver 1998).

As for the themes of national unity and solidarity, “social partnership” ideologies are an underexplored area, which can be relevant in a wide range of fields from labor market policy to industrial relations (Berger and Compston 1999; Campbell and Hall 2009; Fetzer 2012). While there is now a large body of work related to the nationalist imprint of welfare states, little has yet been written about the link between nationalism and taxation, or between nationalism and public debt management. As for the latter, recent Eurozone debates about the limits to “Europeanizing” national debt liabilities could be easily conceptualized as yet another expression of an ideology of nationally-defined solidarity, which acts as a constraint on supranational economic regulation.

Perhaps most importantly, there is a clear top-down bias in the available literature. To date, not enough attention has been paid to the societal reception of nationalist elite projects: To what extent have such projects shaped notions of national belonging among ordinary people? Did they encounter resistance? How has elite nationalism been appropriated and adapted in everyday discourses and practices? On the one hand, a more bottom-up focused analysis could simply follow the traces of particular top-down initiatives. For example, how do diaspora nationals experience economic relations with the homeland? How do they respond to homeland solidarity campaigns (Fox 2007)? What is the impact of “buy national” campaigns and national product branding on everyday consumer perceptions and behavior? On the other hand, more research is needed on the various themes that link the economy to national belonging in a more diffuse way. To pick just one example, economic events or processes may shape the collective memory of the “national” past—indeed, as the popular memories of the “economic miracles” in post-1945 Germany and Japan indicate, rapid and unexpected economic success may be remembered in quasi-religious terms of national salvation and redemption (Müller 2005, 144–46). Conversely, economic crises or catastrophes also leave their traces

on national collective memory—witness, for example, the prominence of the Great Famine for Irish collective memory (Mark-Fitzgerald 2013) or the important role of nineteenth-century imperialist exploitation for historical memory in China and India. This is a field of study that deserves more attention, not least in light of the fact that the mainstream “realm of memory” literature has so far neglected the economic dimension.¹

Our final set of reflections relate to the comparative method. From among our contributors, only a minority adopt an explicitly comparative approach, yet even the brief comparative reflections in some of the other pieces invariably help to place specific cases into a broader context. We think it is worthwhile and necessary to develop a more systematic comparative research agenda in the future. To do so, it will be important to engage with established comparative frameworks in political economy, as well as within nationalism studies scholarship. At a first level, based on the burgeoning field of comparative capitalism studies (for an introduction see Hancké 2009), it may be hypothesized that different types of socio-economic regimes also produce different variations of the nationalism-economy nexus. For example, should we not expect such variations if financial systems, corporate governance, skill formation, and industrial relations are organized in liberal or corporatist ways (see Hall and Soskice 2001)? Should we not expect equally significant variations if socio-economic regimes are dominated by an activist state, or by family networks, or by foreign capital (Amable 2003; Schmidt 2002; Bohle and Greskovits 2012)?

Drawing on typologies developed by nationalism studies scholars could be equally useful. For the study of the economic agendas of nationalist movements, for example, this would help to place separatism into a broader comparative context—with reform movements intent on nationalizing the character of existing states, or with movements whose primary aim is the national unification of several states (Breuilly 1993; Hechter 2000). Engaging with typologies of the social and political carriers of nationalism—from class-based taxonomies (see e.g. Sugar 1968; Tønnesson 2009) to political juxtapositions between left- (or socialist) and right-wing nationalisms (Schwartzmantel 1987)—could also be useful, not least because these taxonomies would additionally help to structure comparative analyses of competing forms of nationalism within a single country.

As these last remarks already indicate, comparative analyses can be developed in different directions than the classic cross-country studies. One further option in this respect is the comparison across industries. There is

¹ Exceptionally, studies of Austrian collective memory have dedicated extensive space to the analysis of economic issues—see Brix, Bruckmüller, and Stekl (2005). For Germany see also James (2001).

no shortage of studies highlighting the specific configurations of the nationalism-economy nexus in particular sectors—from agriculture and automobiles, to banking and tourism (for the latter see e.g. Zuelow 2007)—yet few authors have so far attempted comparisons across sectors. Moreover, research on the nationalism-economy nexus should also be placed into a multi-spatial context. In theoretical terms, “economic patriotism” (see Clift and Woll 2012) has already been put forward as a new concept to widen the analytical lens below and beyond the nation. Yet, systematic empirical studies comparing economic nationalism to local economic patriotism have yet to be carried out. Likewise, while the question of a supranational European economic identity has already yielded a significant body of literature (see Fetzer, this volume, chapter 14), we lack explicit comparisons between national and supranational levels of economic patriotism.

Overall, then, there are numerous potential avenues for future research and we hope that our volume will encourage many further studies in the field. The nationalism-economy nexus deserves a more prominent place in nationalism studies and political economy scholarship alike.

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Part I: Surveys

Historians, Nationalism Studies, and the Economy

Stefan Berger

Introduction

In 1989, in the same year as the Berlin Wall fell and the Cold War came to an end, the economic historian Harold James published a slim book that drew attention to the long-term economic roots of German nationalism (James 1989). It was extraordinary timing—the fall of the Berlin Wall led to developments that ultimately brought about German reunification and initiated a prolonged debate about the alleged desire for Germans to develop “normal” patriotism after a *Sonderweg* of post-national denial of patriotism (Berger 1997). The fall of the Berlin Wall also signaled a renewed rise of diverse nationalisms across the former Communist countries of Eastern Europe. However, nationalism not only raised its head again in Eastern Europe. In Western Europe, a range of stateless nationalisms within multinational states—from Scotland to Flanders and further to Catalonia and the Basque country—raised the specter of new territorial orders. Furthermore, the European Union’s move toward “ever-closer political union” and its extension eastward led to numerous nationalist concerns and resistances within diverse nation-states in Europe, both East and West (Karolewski and Suszycki 2010; Watson 2001). At the beginning of the new millennium, the German debate surrounding the introduction of the Euro and the abandonment of the prized Deutsche Mark (DM) was a characteristic sign that economic nationalism was not a thing of the past.

And yet, historians dealing with the phenomena of nationalism and national identity have been, for a very long time, overwhelmingly—and with few exceptions—ignoring the considerable impact of economics on nationalism and national identity. Especially in the twentieth century, the long shadows of methodological nationalism, two world wars, and National Socialism had cast a spell over historical studies on nationalism, which caused them to be almost exclusively concerned with politics, ethnicity, and culture. Economic factors rarely took a prominent place in explaining both the enormous success of diverse nationalisms and the spectacular failure of others since the onset of modernity. In this chapter, I will briefly review key trends in the

historical literature on nationalism with a view toward their exclusion of topics of economic nationalism. This is, of course, a task that could easily fill entire tomes, so I will only be able to skim many developments. Nevertheless, I hope that it may be a useful exercise in augmenting Thomas Fetzner's chapter surveying the political science and economics literature on this topic. Together, these two chapters aim to provide a larger context for the case studies that make up the bulk of this volume.

I will start off with the historical literature surrounding the medieval and early modern nation and argue that any reference to economics does not figure at all prominently in this literature, which ranges from the early Middle Ages to the work of the towering figure of Johann Gottfried Herder, whose hugely influential writings mark the beginning of modern nationalism studies. Herder was both a child of the Enlightenment and one of its fiercest critics. In his writings on nationhood, the rationalism of the Enlightenment gave way to a Romantic organicism which largely ignored economics (Barnard 2003). This, however, was not the case with many of the Enlightenment historians for whom economic considerations were important, even when they spoke about nations. Hence, the second section of this article will introduce the concern with economic nationhood in the Enlightenment. Yet, these Enlightenment histories gave way to a new form of historical writing that became known as *historism* (*Historismus*), which spread from Germany through Leopold von Ranke's fame to all parts of the historiographical globe, even if what others took for German *historism* developed into something quite different from the "original" (Lingelbach 2003).¹ The third section of this chapter will look at the marginalization of the economic sphere from historical studies of nationalism under the methodological regime of *historism*. An antidote to *historism*'s neglect of the economic sphere was developed by Karl Marx through his theory of historical materialism in the nineteenth century.

As we shall see in the fourth section, his influence guaranteed the economic sphere some importance in the subsequent literature on nationalism and national identity. This was even the case with many of those who explicitly rejected Karl Marx's work and saw their own writings as an antidote

¹ I use "historism" rather than the more common "historicism" deliberately, as the concept of "historicism" in English refers to two concepts that are not the same: first, a concept associated most with Karl Popper who calls "historicist" those ideas that are in his view teleologically oriented toward some normative future, and, secondly, a concept associated most with Leopold von Ranke, who argued that everything has to be understood through its historical development. As these concepts are based on entirely different understandings of the past, it is confusing in English to use the same term for both. Hence I have been using "historism" for the ideas associated with Ranke whilst reserving "historicism" to the concepts associated with Popper.

to Marxist thinking, such as the German Socialists of the Chair (*Kathedersozialisten*) and Max Weber. After 1945, the long shadow of National Socialism meant that nationalism studies were still framed in the traditional “history of ideas” approach. In the 1960s and 1970s, this began to change on both sides of the Iron Curtain. Miroslav Hroch in Czechoslovakia—just as much as Ernst Gellner (in their different ways)—sought to use social history frameworks in the study of nationalism. An interest in the modernity of nationalism went hand in hand with either a focus on the state-driven nature of nationalism or of nationalism as an attempt to obtain political power. Modernists may well have overstated their case, as is evident in a recent upsurge in the writings on premodern nationhood (Hirschi 2012). But the long-standing debate between modernists and perennialists has, by and large, conceived of the phenomena of nationalism and economic processes as separate realms. As we shall discuss below, nationalism has at times been discussed as cause for the modern desire to achieve economic growth, while at other times it has analyzed economic structures as cause for nation-building and the rise of nationalism. But rarely do we find studies in the history of nationalism that emphasize the economic sphere as an integral part of nationalism itself, as the latter remains, by and large, either politically or culturally defined. In addition, economic history has, for the last twenty years, been at the forefront of transnational forms of history writing, but so far the discipline has shown little interest in integrating economic processes into the history of nation-states and their underpinning ideology, nationalism.

The Absence of Economic Themes in the Historical Literature on Nationalism and National Identity from the Middle Ages to Herder

Of late, medieval historians have rediscovered aspects of medieval nationhood that rested on vernacular languages, kinship and tribal ties, dynastic connections, and the world of learning, as in medieval universities that were famously organized into “nations” (Afanasyev 2015). Humanist scholars also carried out transnational debates and battles surrounding the value and worth of particular nations and their national characters (Helm-rath, Muhlack, and Walther 2002). For a long time, it has been recognized that religion plays a major role in nationalism and ideas of nations—nations were sacralized while religions were nationalized. Protestant nation-states used the national discourse to emancipate themselves from associations with the Universalist Papal State in Rome (Haupt and Langewiesche 2004). Hence, in medieval and early modern conceptions of nationhood, one finds references to politics, ethnicity, culture, and religion, but not to economics.

Enlightenment historians made use of national history in order to trace the progress of nations through history. Theirs was not only an era of intense interest in philosophy and the advancement of the sciences, it was also a deeply historical age. The proponents of Enlightenment thought needed history so as to chart the idea of progress in time, and they did so by writing the histories of civilizations and nations (Berger and Conrad 2015). This was an exercise that often included a reference to economics since many Enlightenment thinkers recognized the link between economics and civilizational success. In other words, the forward march of mankind was based on economic advancement and success. Following Adam Smith and the Enlightenment economists of the eighteenth century, historians investigated economic systems and economic developments in national, civilizational, and world history. William Robertson's *A View of the Progress of Society in Europe, from the Subversion of the Roman Empire to the Beginning of the Sixteenth Century*, published in revised and final form in 1788, was one of the clearest statements of the Enlightenment's belief in a teleological historical development from barbarism to refinement. Scottish history, in Robertson's narration, ascends from a brutal dark age through a range of unhappy religious and political squabbles during the sixteenth and seventeenth centuries to arrive at the economic prosperity and political peace that Scotland found in its union with England. As Robertson wrote, "Nations, as well as men, arrive at maturity by degrees, and the events, which happened during their infancy or early youth . . . deserve not to be remembered" (Pittock 2006, 90). Economics, for Robertson, was part of Scottish maturity and hence it figured prominently in his national history. However, as most of Enlightenment history was not interested in the peculiarities of national or nation-state development—and instead wrote national history only because the nation or nation-state was the location through which to trace universal developments—issues of economic nationalism and economic nationhood did not come into the focus of Enlightenment history. Smith's famous *Inquiry into the Nature and Causes of the Wealth of Nations* of 1776 established the principles of free trade and argued powerfully that it had a vital role in the creation of "the first workshop of the world," i.e., England. His writings, like those of many Enlightenment economists of the eighteenth century, were primarily directed against mercantilism (Malloy 1994). Hence Smith was participating, first and foremost, in a debate surrounding economics rather than in debates surrounding nationhood or nationalism—it was the "wealth" in the title of his book that was more important than the "nations."

The transition from Enlightenment history to Romantic forms of history writing is usually associated with Johann Gottfried Herder, who was a child of the Enlightenment, deeply rooted in its mode of thinking, but who was also a powerful critic of the Enlightenment, particularly of its beliefs in

universalisms. Instead, he promoted the peculiarities of nations and people. They were, according to Herder, all wonderfully different and, in their difference, all equal. Such cosmopolitan nationalism was quickly superseded by other nationalists who sought to provide classifications of nationalism that were based on notions of some nations being worthier and better than others. But once again, the focus of mainstream Romantic nationalism lay in its preoccupation with culture and language, national characters and souls, as well as authenticity and the organic growth of the national. Economic factors rarely feature in the writings of historians influenced by Romanticism (Berger and Conrad 2015, chapter 3).

The Impact of Historism on Notions of Economic Nationalism

It is often rightly said that the much-celebrated and internationally revered father of historism, Leopold von Ranke, was not so much interested in nations as in states. He was essentially a historian of the European system of states and intent on analyzing the character of those states and their interrelationships in Europe. His main concern was with politics and with the “great men” who made politics (Iggers and Moltke 1973). Later on, historians, such as Friedrich Meinecke, would add the study of culture to the spheres of interest that historist historical writing engaged with. Meinecke made the famous distinction between “state nation” and “cultural nation,” which would have an important impact on nationalism studies during the twentieth century (Meinecke 1996). Yet, one does not find any hint of “economic nation” in his writings. Between statist and political histories of the nation on the one hand and history of ideas (*Geistesgeschichte*) approaches on the other, there was no space for economic histories of the nation.

The hyper-nationalism produced by various forms of European fascism in the interwar period produced a considerable amount of scholarship that continued the strong history of ideas approach to the study of nationalism. Scores of historians analyzed fascist nationalist ideas, seeing them as grounded in ethnic and racial constructions of the nation. They juxtaposed a bad ethnic nationalism descending into fascism against a good political patriotism and projected that binary opposition onto a geographical one—political patriotism could be found, above all, in the West (the US, Britain and France), whereas ethnic nationalism was at home in Central and Eastern Europe. From here, writers such as Hans Kohn and Carlton Hayes described the descent of nationalism from rationalism into madness (Kohn 1944; Hayes 1966). The construction of “ethnic” and “political” forms of nationalism was a powerful one that was only challenged comprehensively in the last twenty years or so (Baycroft and Hewitson 2006).

The evolution of a separate subdiscipline of economic history in the last third of the nineteenth century was greatly influenced by the younger disciplines of economics and sociology, and its concerns were primarily with things economic. However, a so-called national school of economics developed in Germany, which did pay attention to issues of economic nationhood and espoused forms of economic nationalism (Winkel 1977). Its intellectual godfather, Friedrich List, had argued that economic prosperity and the well-being of the nation were closely intertwined (Szporluk 1988). This thought was further developed by representatives of the national school of economics into the idea that the economy was each nation's destiny. The so-called Socialists of the Chair in Germany, but also the New Liberals in Britain, developed notions of state interventionism in the economy to ensure national well-being, including notions of a rudimentary welfare state, social policies, and a liberal-socialist vision for the future nation (Lindenlaub 1967; Biagini and Reid 1991). This idea of the close interconnectedness between national well-being and economics also led to forms of economic nationalism as liberal nationalists and liberal imperialists began to see economic performance as the basis for great power status and justification for imperial aggrandizement (Koditschek 2011; Fitzpatrick 2008). Historians now also began to connect their analyses of the economic performance of nations with notions of their position in the international pecking order, which perceived nation-states as competitors for primacy in the world concert of nations.

Max Weber as a historian or historical sociologist can be seen as representative of this trend of economic historical thinking at the beginning of the twentieth century. His writings on economic history, which were always also an engagement and a riposte to the work of Karl Marx, were deeply focused on the development of capitalism. His indebtedness to an older history of ideas approach can be perceived in his *Capitalism and the Spirit of Protestantism*, in which he sought to argue that intellectual ideas connected to Protestantism led to the rise of capitalism in the West. Weber revealed himself here first and foremost as child of his time, a cultural Protestant deeply suspicious of—and hostile to—Catholicism. However, few writers explored the interrelationship between economic processes and power with such insight as Weber in many of his historical writings. In particular, the exploration of the diverse ways in which economic prowess had contributed to the power of nation-states was of strong interest to Weber, as he believed that this held specific lessons for Germany's future as a nation-state and for Germany's need to become an imperialist power (Radkau 2013; Hardtwig 1990). Famously for Weber, the unification of Germany in 1871 would have been squandered energy, if the new German nation-state did not develop in the direction of a major imperialist power. Weber's writings built on the works of the national school of economics and its economic nation-

alism in a major way (Etges 1999). And yet, he remained intellectually far more interested in exploring the developments of world civilizations (including the way they were built on economic success) rather than investigating specific forms of economic nationhood.

From the History of Ideas to the Socio-Political Roots of Nationalism—But Where is the Economy?

The great adversary of Weber was Karl Marx. It is intriguing to think that many historians after 1945 drew substantially on the theories and historical writings of those two thinkers. Karl Marx's historical materialism intended to invert Hegelian thinking from its head onto its feet—the primacy of the *Geist* was to give way to the primacy of material things. The Scottish economists and the French historians were crucial for the development of Marx's thinking. The economy was the basis for all social, political, and cultural development; the latter, conceived as a superstructure, derivative of basic economic developments. If Marx then paid a lot of attention to economics, he disregarded the nation and nationalism as a form of "false consciousness." Proletarians did not have a fatherland, as their class allegiance and class position was objectively far more relevant to them than any national allegiance. Hence it is not surprising that Marx never developed a theory of nationalism (Nimni 1991). Friedrich Engels spoke about the difference between "historical" and "unhistorical" nations, but also did not develop this into a complete theory of nations and nationalism. Instead, talk about "historical" nations seemed to justify his gut feelings about some nations being more important than others, showing, above all, his own nationalist sentiments, especially when it came to some of the Slav nations (Forman 1998). Within the Marxist tradition it was arguably the Austro-Marxist school which first developed a more sophisticated understanding of nation and nationalism, arguing in the context of the multinational Habsburg Empire for the existence of cultural nations (Bottomore and Goode 1978). Among unorthodox Marxists, the Austrians' emphasis on culture is often seen as an important departure from Marxist economic determinism, but from the vantage point of nationalism studies, their preoccupation with culture is entirely in line with an older historiography of nationalism and nation-building that had simply ignored economic factors. Austro-Marxists, for all their attention to culture, were also surprisingly blind to the way in which economic processes, ideas, and structures can be an integral part of constructions of national identity and nationalism.

As the Marxist labor movements were comprehensively nationalized in the decades before the outbreak of the First World War, there were a variety of attempts to merge Marxist ideas of class with ideas of nation, na-

tional identity, and even nationalism (Schwarzmantel 1991). However, none of these attempts resulted in a sustained theory of economic nationhood. In fact, labor movements tended to construct for their respective nations a variety of special paths toward socialism which had to do with alleged special characteristics of their respective nation-states (Berger 1995; Berger and Smith 1999). Yet they maintained a universalizing idea of their common futures as socialist nation-states. That common future was based on the abolition of capitalism and the introduction of a socialist system, including a socialist economic system, which was again widely imagined to be the same across a variety of future socialist nation-states. Such universalizing visions of the future left little room for economic nationhood.

With the establishment of the first socialist state in the Soviet Union after 1917, there was, for a brief moment, the prospect of a scholarship that would pay attention to economic processes in history writing. A good example for how productive such an approach could be is the work of Nikolai Aleksandrovich Rozhkov (1868–1927), whose twelve-volume *Russkaya istoriya v sravnitel'no-istoricheskom osveshchenii* (Russian History from a Comparative Historical Viewpoint), published between 1919 and 1926, was not only far superior to all other Marxist economic histories in 1920s Russia, but also put economics at center stage in the development of the Russian nation. Yet Rozhkov and others, who championed economic history in the early Soviet Union, did not connect their interest in economics with the topic of nationalism. Furthermore, their interest in economic history did not necessarily become mainstream in Soviet historiography. Rozhkov, for example, was increasingly persecuted for his Menshevik convictions and for his powerful and open critique of Bolshevism. His Marxism did not protect him from political persecution—he was arrested several times in 1921 and 1922 and his work was routinely denounced as Menshevik (Rondan 1996).

The most powerful historian in the early Soviet Union was Mikhail Nikolaevich Pokrovskii (1868–1932), nicknamed the “Father of the Red Professors.” A prolific institution-builder, who transformed the Soviet institutions of history writing in the 1920s, he gave early Soviet historiography an internationalist orientation, abhorred Russian nationalism, and was adamant that it was important for Marxist historians to look beyond the narrow confines of national history. As People’s Commissar for Education, Pokrovskii prohibited any history teaching which promoted nationalism. In his own writings, he put heavy emphasis on social and economic developments in history, which, he argued, were essential to document the class struggle in history (Enteen 1978). Despite all this, he still could not escape national history. His *Russkaya istoriya v samom szhatom ocherke* (Brief History of Russia) was approved by no lesser figure than Lenin and it served as a bible for the first generation of Marxist-Leninist historians in the Soviet

Union. As a national history, it attempted to establish a new national master narrative that portrayed the history of Tsarist Russia as the “dark other,” where not only the working classes but also the non-Russian nationalities were repressed. He contrasted the Russian past sharply to the bright Communist future of the Soviet Union under Bolshevism. In line with Marxist thinking, he portrayed the history of Russia as a history of class struggles. He insisted on universal patterns of historical development and was highly critical of all ideas of Russian exceptionalism. By assimilating Russian history to the West European model, Pokrovskii gave historical explanation and justification to the Russian revolution of 1917. Pokrovskii’s type of national history, unlike mainstream national histories in the nineteenth and twentieth centuries, gave a prominent place to economic history and economic processes in history. However, his strong rejection of all forms of nationalism made him blind to issues of economic nationalism. Under Stalin’s watchful eye—he famously distrusted historians, referring to them as “archive rats”—the historical profession wilted on the powerful stem created by Pokrovskii. In the 1930s, dogmatic Stalinism reigned supreme over the profession and traditional nationalist historical narratives were brought back in the service of the Great Patriotic War in the 1940s (Banerij 2008).

The transformation of historiographies in Communist Eastern Europe after 1945 also resulted in the adoption of dogmatic forms of Marxism-Leninism which did not result in a productive engagement with the Marxist legacy of thinking about the interrelationship between economics and nation. However, one towering exception to this rule is Miroslav Hroch, the Czech historian who, in the 1960s, began to explore the social preconditions for the rise of national movements in the small nations of East-Central Europe. His international breakthrough came with an English-language translation of his *Social Preconditions of National Revival in Europe*, published in 1985 (Hroch 1985). Hroch skillfully linked socioeconomic processes with the evolution of national movements and raised questions that inspired generations of historians to move away from the history of ideas approach to nationalism, and investigate the material preconditions for the rise of that particular ideology. Hroch famously distinguished three phases in the history of nationalism. In Phase A, absolutist states make use of nationalist ideas to integrate state territories while nationalist intellectuals begin to develop notions of national character. In Phase B, we see the rise of national movements, and in Phase C the age of mass nationalism is reached. As a Czech historian, Hroch’s own interest was always centered on the differences between nationalisms in big nation-states and empires as compared to small formations struggling to emerge as nation-states in multinational state-systems and empires. Being built on the socioeconomic work of Weberian and Marxist provenance to counter the history of ideas

approach to the topic, Hroch's writings on nationalism entailed a major advance for the discipline. Yet while his work acknowledges the important role of economic processes in the formation of modern nations, and discusses economic interest cleavages as one key factor of nationalist majority-minority conflicts, it still sees these as external variables to nation-building. Hence Hroch also largely bypasses the integration of economic concerns with nationalism. Characteristically, the growing literature on Hroch tries to apply his model to various parts of the world and, as a result, pays attention to economic factors in the process of nation-formation, but economic nationalism is not a topic that is explicitly prominent among those who take their cue in nationalism studies from Hroch (Maxwell 2014).

Another historian trained as a Marxist-Leninist in Communist Europe—who tried to combine her interest in social and economic history with her interest in nationalism—was Helga Schultz. Together with Eduard Kubů, she edited a pathbreaking collection that opened a new understanding of elite economic nationalism in East-Central Europe by analyzing it as a way of fostering economic modernization (Kubů and Schultz 2004, 2006). Her work, and that of her associates, pointed to the vital interests of specific social classes, economic elites, and their allies in fostering particular forms of economic nationalism as a means to progress their own interests and economic advantages. Between 2003 and 2006, Schultz headed a project on economic nationalism in East-Central Europe, which encouraged a range of in-depth studies addressing the strong relationship between state-building and economic nationalism (Schultz 2007). National minorities living in the peripheries of large empires in Eastern Europe were often the victims of strategies of economic nationalism, devised in the metropolitan centers that plundered the peripheries, although the project also found some evidence of metropolitan strategies to redistribute the benefits of economic nationalism to the peripheries. The dissolution of social structures, belated political nation formation, and economic backwardness were the crucial contexts in which economic nationalism in East-Central Europe emerged. In the region, economic nationalism was part and parcel of the language of modernization. As a specialist on the era of European feudalism, Schultz also worked on early German nationalism. In an important article addressing this issue, she pointed to the discontinuities between the eighteenth-century patriotisms of individual German states in the Holy Roman Empire and the nationalism that arose in the context of the Napoleonic Wars in the early nineteenth century (Schultz 1996). By delineating important traditions of early nationalism in Germany, she did not, however, relate them specifically to forms of economic nationalism.

In the West, under the impact of various forms of modernization theory, we can observe a similar trend as in the Communist East to move away from a history of ideas approach and investigate the social and economic

foundations of nations and national(ist) movements. Ernest Gellner, for example, tied the rise of the nation-state firmly to the rise of modernity and modernization (Gellner 1983). His marked anti-idealism led him to put ideas strictly into their economic, social, and political context as he investigated the rise of nationalism within the context of the emerging industrial society. Stressing the importance of print culture and education, Gellner argued that states essentially forge nations through cultural standardization. As far as I know, Gellner never said it directly, but it does not need a leap of imagination to read Gellner and arrive at the conclusion that an active state brands nations and therefore is engaged in an active process of nation branding which becomes part and parcel of cultural standardization processes. Gellner's famous notion of "zones of nationalism" picks up the older ideas of a binary divide in Europe between a political nationalism in the West and an ethnic nationalism in the East and puts this idea into social-political-economic contexts of modernization. With Gellner, modernization is still very much a "one size fits all" process—a view that has become increasingly discredited as notions of "multiple modernities" have gained ground over recent years. Nevertheless, Gellner's approach, which relates modernity to economic processes, leaves room to investigate notions such as nation branding through states, even if Gellner himself did not do it directly (Hall 1998).

It is not by coincidence that Gellner's *Nations and Nationalism* was re-issued a couple of years ago by John Breuilly, whose *Nationalism and the State* must count among the most important historical investigations into nationalism ever written (Gellner 2008; Breuilly 2001). Breuilly concurs with Gellner about the central role of the state and of state power in the creation of nationalism. Nationalism is, above all, an ideology of national movements who want to capture state power. The institutions of the state and of civil society are vital in explaining the strength of nationalism as an exclusively modern phenomenon accompanying the rise of the European state system after 1648. Although economic processes are vital in understanding state power—and although economic factors in the development of nationalist movements are widely discussed in the book—Breuilly, like Gellner, does not deal specifically with economic nationalism.

Among the numerous excellent historians of nationalism working within more or less sophisticated frameworks of modernization, Liah Greenfeld has attempted to relate the development of nationalism most directly to the development of modernity by inverting the order of priority set by Marx (Greenfeld 2001). Although arguing against Weber that the spirit of capitalism is not Protestantism, but nationalism, Greenfeld does concur with Weber that societal developments are not based upon the economy, but that the economy in turn is driven by other, more idealistic concepts and concerns. Greenfeld is most convincing when discussing England, where

she argues that the early and successful forms of nation-building by the state set the stage for the “first workshop of the world,” i.e., England, to be the first capitalist nation to be rooted in the strength of its nationalism. Her ambitious comparative investigation into the cases of the US, Germany, France, and Japan—arguing that diverse forms of nationalism produced diverse capitalisms—are not always equally convincing, but in relation to our topic, her approach opens the possibility of directly relating nationalism to economics. While one does not necessarily have to agree with her theoretical anti-Marxist framework and while one also might want to question her historical treatment of some cases, Greenfeld’s study is still an important springboard from which to launch further investigations into economic nationalism.

Constructivism and the Continued Absence of Economic Nationhood

It is hard today, among historians of nationalism, to find anyone who is not a self-professed constructivist. The remarkable victory of constructivism in nationalism studies can perhaps be dated back to Elie Kedourie’s famous statement that “nationalism is a doctrine invented in Europe” (Kedourie 1960). However, Kedourie’s influential book was still firmly rooted in the history of ideas approach to nationalism sketched out above. The real starting point of constructivism was Benedict Anderson’s *Imagined Communities*, published two decades later, and the influential collection of essays by Eric Hobsbawm and Terence Ranger, published around the same time under the telling title *The Invention of Tradition* (Anderson 1983; Hobsbawm and Ranger 1983). Hobsbawm’s book on nationalism, published several years later, is also an extended commentary on this take on nationalism, which stresses the construction of national ideas behind which stand diverse interests (Hobsbawm 1990). Anderson, Hobsbawm, and Ranger frame their arguments within broad Marxist parameters. In other words, economic developments are crucial in understanding nationalism and nationalist movements. However, we find very little on the economic imagination of the nation in these books. Highlighting the role played by cultural practices in the political stabilization of states, Hobsbawm’s *Nations and Nationalism* stresses the importance of print capitalism and the role of official cultural policies. Nationalism as an ideology, Hobsbawm observed, promises stability in a fast-changing world in “modern times.” It played an important role in securing the emergence of mass democracies, but he predicted that it would play an increasingly marginal role under conditions of growing globalization. This turned out to be spectacularly wrong. Indeed, Hobsbawm is a perfect example of an important contributor to the history of nationalism who defers from an orthodox Marxist analysis and sees the economy as

entirely external to nationalism, which is exclusively understood as a cultural and political phenomenon.

If states and state power are central actors in the historical studies on nationalism provided by Hroch, Gellner, Breuilly, and Hobsbawm, another group of historical studies on nationalism has focused primarily on the importance of culture and ethnicity for the development of nationalism and national movements. The writings of Anthony D. Smith can serve as a good example of this paradigm. Smith's *The Ethnic Origins of Nations* stresses the importance of "ethnosymbolism" for any understanding of nationalism (Smith 1991). While not falling into the trap of essentialism, Smith argues powerfully that we can only understand nations as culture, i.e., by analyzing the common values that underpin the "mythical-symbolical" communities that make up nations. Together with the general cultural turn in historical studies in the 1980s, Smith's writings led a whole generation of nationalism scholars to investigate symbols, metaphors, and cultural representations of nationalism, often paying scant attention to questions of power and the role of states. Instead, they concerned themselves with issues related to the construction of historical origins of nations and wrote about the search for cultural authenticity within nationalist movements and intellectual circles. With Smith, they came to understand nationalism as a secularized political religion, investigating the religious roots of nationalist thought and ideas (Smith 2003). Overall then, the debates within the historiography of nationalism took place between these two poles—the state-centric power perspective and the culture-centric representation perspective. Of course, there have also been numerous hybrids and attempts to reconcile the hostile camps, but the terms of the debate meant that questions of economic nationalism were rarely, if ever, explored in greater depth.

This dichotomous setup of histories of nationalism between state power and cultural representations has also not been fundamentally challenged by the appearance of another important tradition in historical writings about nationalism, namely postcolonialism. There have been important debates about nationalism as a European export article or an indigenous resource. Homi Bhaba's understanding of nation as narration added a further important facet to histories of nationalism, opening the door to narratological studies on nationalism at the interface between literary and historical studies (Bhaba 1990). The nation was examined as a form of mimicry and as performance, initiating another turn in historiography—the performative turn—which also found an impression in important historical studies on nationalism (Menon 2013). Postcolonial histories of nationhood and nationalism were concerned with power inequalities between the colonial centers and their peripheries, but they examined those power inequalities above all through attention to culture, that is, through languages, metaphors, symbols, and discursive practices (Majumdar 2011). Hence post-

colonial histories remained firmly within an overall field that was defined by its attention to either power, culture, or a mixture of both. Between these two powerful poles, issues of economic nationalism were rarely examined separately.

Another booming field of historical studies has been memory history. Within memory histories, the memory of nations and national movements has formed a significant subfield. Yet, like postcolonial histories, memory histories of nations have not been able to escape the powerful binary setup of the field and, while asking about the impact of memory on power relationships, such studies have remained focused on examining how representations of nations have been culturally appropriated in memory discourses (Mallot 2012; Nozaki 2008; Berger and Niven 2014).

This is a bit different for a third field of historical studies, global history. On the one hand, there have been numerous attempts to understand nationalism as a global phenomenon (Breuilly 2013; Berger 2009); on the other hand, we have also seen a boom in historical studies that are keen to provide a more global perspective (Hunt 2014). If we have, historically, multiple modernities that have produced varieties of capitalisms (Eisenstadt 2003), then we can also ask whether these capitalisms produce diverse forms of economic nationhood and economic nationalism. Jürgen Kocka has, in his recent study of capitalism, pointed to the varieties of national trajectories of capitalism within a global framework (Kocka 2014). Using this as a point of departure, one could ask about the national semantics of economic nationhood under diverse regimes of capitalism. Similarly, one can make productive use of Charles Maier's recent attempt to conceptualize diverse regimes of territoriality (Maier 2000). What, one may ask, was the relationship between those specific regimes of territoriality and economic processes? Transnational forms of history writing are currently exploring those interrelationships in fascinating ways. Thus, for example, Sven Beckert's recent history of cotton examines economic commodities in their global dimensions, tracing exchange processes and entanglements across several continents and in highly regionalized contexts (Beckert 2014). World-systems theory, associated above all with the work of Immanuel Wallerstein, has long paid close attention to the relationships of economic exchange in an effort to define particular cores as distinguished from specific peripheries in a worldwide capitalist system (Wallerstein 2004). Nationalism in Wallerstein appears mainly as a means to stabilize politically inherently unstable social relations (Wallerstein 1991). Yet, the specific role of economic nationalism in such strategies of stabilization is not discussed.

The everyday turn of nationalism studies, as represented by Michael Billig's *Banal Nationalism* (Billig 1995), has indeed inspired work on economic themes, as set out in the introduction to this volume. Billig has in-

spired scores of studies that seek to trace the impact of the national through everyday objects, speeches, and cultural practices. However, Billig never takes examples for “banal nationalism” from the economic sphere and, indeed, he argues that economic nationalism declined after 1945 as it was allegedly no longer compatible with strategies for economic growth (Billig 1995, 130).

Within the history of knowledge there is also an increasing body of work that investigates structures of economic knowledge (Jacob 2014). This may also open interest in questions of economic nationhood and its “scientific” construction. But, at the moment, that appears more of a possibility than a reality.

Conclusion—Merging Economic Dimensions with Existing Cultural and Socio-Political Dimensions of Nationalism

This brief review of some important historical studies on nationalism has shown that concepts of economic nationalism and economic nationhood have not been central to this scholarship. Influenced strongly by the state-centric traditions of historicism, numerous historians interested in nationalism have analyzed the state’s engagement with this powerful ideology. An altogether different paradigm—the history of ideas approach—focused on the ideology itself and on cultural representations. In fact, as we have seen above, it had been economists and sociologists who, in their historical work, first drew attention to the phenomenon of economic nationalism. In particular, the national school of economics and Max Weber were interested in the relationship between economics and nation(-state) formation. In contrast to most historical scholarship, the Marxist tradition of history writing did insist on the importance of economic processes for political, social, and cultural phenomena. However, as the representatives of this tradition tended to dismiss nationalism as an ideology of the ruling classes to stabilize class rule, they were, for a long time and with few exceptions (such as the Austro-Marxist school or the late Eric Hobsbawm), reluctant to pay special attention to the problem of nationalism itself. Only recently have cultural, postcolonial, global, and memory-based approaches to historical writing opened vistas from which it appears promising to analyze economic expressions of nationalism. However, few historians have so far picked up the challenge. Economic historians would be particularly predestined to investigate these topics, but their overwhelming rejection of cultural historical approaches has shown that they have little inclination to do so. And the mainstream historical scholarship on nationalism has, again with few exceptions, continued its concerns with power and with culture, but has been unable to incorporate the integration of economic processes

with nationalism in its analytical framework. Hence historical scholarship on these topics remains, by and large, a demand for the future more than a reality for the present.

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Nationalism in Political Economy Scholarship^{*}

Thomas Fetzer

There is no better place to start a review of political economy scholarship on nationalism than the *Economist*, the self-declared bulwark of economic liberalism. In its edition from February 5, 2009, the magazine featured a cover story on the alleged “return of economic nationalism” with a cartoon depicting the—as yet partial—resurrection of “a spectre from the darkest period of modern history,” symbolized by tombstones dedicated to “protectionism” and the “Great Depression.” Yet another, still more weather-beaten stone “honors” Jean-Baptiste Colbert, the alleged early modern “founding father” of economic nationalism (The Economist 2009).

This cartoon is the ideal starting point for this chapter. It captures the main debate about nationalism among economists and political economy scholars to this very day: Does economic nationalism constitute a fundamental challenge to the liberal world economic order and, if so, how can this be explained? This has been a highly controversial debate, most notably between the so-called realist school of international relations on the one hand and liberal scholars on the other. And yet, this controversy has only been possible because the combatants have shared core assumptions about the nature of economic nationalism, namely, the notion that economic nationalism is best defined as a set of state policies to protect the national economy against the vagaries of international economic integration. As the reference to Colbert highlights, the origins of this notion are usually traced back to the mercantilism of early modern Europe (see e.g. Balaam and Veseth 2001).

Given that this understanding of economic nationalism is still mainstream in contemporary political economy textbooks (see e.g. O’Brien and Williams 2007), I will use the first part of this paper to reconstruct in more detail the origins and main shifts of the liberalism versus protectionism debate. The second part will be dedicated to the analysis of two historically

^{*} The author gratefully acknowledges funding assistance for this research by the Marie Curie European Reintegration Grant scheme (project number PERG06-GA-2009-251018).

old, and theoretically rather neglected, alternative perspectives, namely, heterodox Marxism and industrialization scholarship. The third and last part of the article will review the more recent “constructivist” turn in the political economy scholarship on economic nationalism, which has questioned the state-centric focus of traditional understandings, and has vowed to “bring the nation back in” (Crane 1998). I will highlight the main achievements of this contemporary literature, but will also discuss the question of why this revisionist scholarship has so far had little overall impact on the field.

Economic Nationalism as the Antithesis to Economic Globalization

That economic nationalism has usually been considered the antithesis to economic globalization among (political) economists becomes clear if we look at the conceptual history of the term itself, which, apart from isolated earlier uses (see Etges 1999), dates from the late 1920s and early 1930s and can be clearly connected to the rise of protectionism in the wake of the Great Depression. Already then, “economic nationalism” was routinely used as an umbrella term for state policies to restrict economic flows across borders—witness the titles of prominent treatments of the subject such as Keynes’ *National Self-Sufficiency* (1933) or Röpke’s *International Economic Disintegration* (1942).

From the outset, this was a highly controversial debate, and one in which normative arguments played a crucial role. For liberals—and liberal economists in particular—economic nationalism was not only a symptom of a severe economic crisis, but ultimately also the subordination of economic rationality to power politics. This had disastrous consequences for the material well-being of citizens as well as for the stability of the international system as a whole. It was not by chance that they often portrayed the turbulences of the post-Depression period in juxtaposition to the “golden age” of free trade in the nineteenth century (see e.g. Gregory 1931; Röpke 1942).

Opposition to these liberal views was made up of heterogeneous voices. In the first place, there were those who saw economic nationalism closely tied to state security imperatives and attacked the liberal juxtaposition of wealth and power. In this view, at a time of rising international tensions and the League of Nations’ patent failure to contain a multiplicity of inter-state conflicts, economic nationalism was nothing more than a part of state survival strategies (see Viner, 1948).

Secondly, there were disillusioned liberals like John Maynard Keynes who questioned—in light of the experience of the Great Depression—the achievements of nineteenth-century laissez-faire economics not only in

terms of its contribution to international peace, but also in terms of its implications for economic growth and welfare. The policy implication, highlighted in *National Self-Sufficiency* (1933), was that experiments toward a new “social republic,” which included Keynes’ own concept of demand management, necessitated a greater degree of insulation from global economic forces. In Keynes’ own words, international exchange was vital for science and art, “but let goods be homespun whenever it is reasonably and conveniently possible; and, above all, let finance be primarily national” (Keynes 1933).

Finally, there were those for whom economic nationalism came to be seen as an essential part of economic development strategies in poorer countries. Perhaps most prominently expressed by the Romanian economist Mihail Manoilescu, this view built on Friedrich List’s earlier case for “infant industry” protection—as existing international economic structures perpetuated the status of agricultural countries as backward peripheries, their only hope was to develop domestic industrialization behind a minimum level of protective barriers (Manoilescu 1929).

As the reference to List highlights, some of these reflections were far from new, and the same could be said regarding the connection between trade policy on the one hand and security and power concerns on the other. Yet, it was not by coincidence that the term “economic nationalism” started to replace the older notion “protectionism” during the interwar period (see Heilperin 1960, 16–17). For one thing, the scope of the phenomenon widened considerably—while nineteenth-century protectionists were almost exclusively concerned with trade, the growing significance of foreign direct investment (see Jones 2005) triggered a widening of attention to cross-border capital movements.

At the same time, and more importantly, the slow growth of state interventionism since the late nineteenth century had accelerated during and after the First World War. In one sense, this greatly expanded the range of state policies that could be “disturbed” by international economic entanglements. Aspirations for autarky, or at least a significant degree of insulation, became much more widespread. Indeed, some scholars suggested to restrict the use of the term “economic nationalism” to such radical aspirations alone (see Heilperin 1960, 22–26).

On the other hand, against the backdrop of the rise of the state-controlled economic systems of fascism and communism, “economic nationalism” now also came to be associated with wider notions of “collectivism.” It is interesting in this regard that the term was more often explicitly used by opponents rather than supporters—liberals warned against “economic nationalism” as yet another element of the broader collectivist onslaught against the rights of the individual (see Heilperin 1960). In a longer-term historical perspective, this reflected not only the dissociation of

liberalism and nationalism in the first half of the twentieth century, but also what looked like an increasing affinity between nationalism and socialism. For Edward H. Carr, for example, economic planning was “a Janus with a nationalist as well as a socialist face: If its doctrine seems socialist, its pedigree is unimpeachably nationalist” (Carr 1985 [1945], 191).

The catastrophe of the Second World War was a sobering experience for both sides in this debate, and in many ways the postwar international economic order was, as James Mayall (1990) has convincingly argued, a successful compromise between liberal and economic-nationalist principles. On the one hand, many earlier advocates of national self-sufficiency, including Keynes, conceded the disastrous consequences of the “beggar your neighbor” policies of the 1930s and the desirability to return to a broadly liberal international order, the stability of which was to be enhanced through the new multilateral frameworks designed in Bretton Woods. On the other hand, and mindful of the backlash against liberalism after the Great Depression, liberals were anxious to accommodate core national concerns regarding security, welfare, and sectoral protection—this was enshrined in a number of clauses within the framework of the 1947 General Agreement on Tariffs and Trade, which allowed states to qualify or even temporarily suspend their adherence to the rules of liberal multilateralism (Mayall 1990, 92–94).

However, as Mayall also highlights, this compromise has always remained fragile and unstable. Indeed, if in less extreme ways than during the interwar period, economic nationalism has continued to be regarded as the antithesis to economic globalization by most political economy scholars to this day (Pryke 2012).

How this dichotomous view has come to persist is not difficult to see in light of the slow, partial, and often contested nature of liberalization processes over the post-1945 period—the latest of the World Trade Organization’s liberalization “rounds” (Doha) has now been stalled for more than a decade. In this context, and to name but a few examples, liberals have identified economic nationalism as the culprit for the persistence of non-tariff barriers in industrial trade, the continued massive protection of agriculture in Europe and the United States, and the slow progress of liberalization in the service sector. In the wake of the recent financial crisis, economic nationalism has been associated with the bailouts of banks and car firms, as well as with patriotic bias in stimulus programs in the US and elsewhere (Pryke 2012). Even the link between economic nationalism and military security—for a long time “suspended” due to the bipolar Cold War order (see Mayall 1990, 96–97)—has recently resurfaced, in particular regarding the economic relations between China and the United States.

Moreover, while the debate about “developmental” economic nationalism has receded in the West, it made a comeback in the developing world.

In fact, there were direct continuities from the interwar period, perhaps best illustrated by the fact that Manoilescu's work was favorably received in Latin America where it contributed to the emergence of "dependency theory" and import substitution policies (Love 2006). Following the decline of both in the 1980s, the debate shifted to the "developmental states" of East Asia whose rapid and state-orchestrated "catch-up" with the West again appeared to defy liberal models (see e.g. Johnson 1982).

In the West, perhaps the most interesting post-1945 debate on the relationship between economic nationalism and globalization has raged over the role of the welfare state. In many ways, to be sure, welfare state expansion and international economic integration can be seen as complementary rather than contradictory processes (see Andersson 2004). Yet, few have denied the potential tensions between the requirement for open international markets on the one hand and the post-1945 commitments to full employment and welfare on the other. As Mayall has put it: "The truth of the matter is that all the industrial democracies face essentially the same dilemma: how to reconcile a dependence on the world market . . . with the electoral imperatives to manage the economy and provide an adequate level of services" (1990, 101).

Against this backdrop, it is not surprising that welfare state development came to be associated with notions of economic nationalism in the post-1945 period. Up to the 1970s, the causality was usually seen as unidirectional. The welfare state, noted the Swedish economist Gunnar Myrdal with regret, was unintentionally "protectionist and nationalistic" because it sought to achieve domestic social betterment without regard for international consequences and without any cross-border coordination (Myrdal 1960, 162). With the neoliberal turn of the 1980s and 1990s, the balance of the argument shifted. As most recently expressed in widespread protests against austerity measures meant to address the Euro crisis, international economic integration has increasingly been perceived as an illegitimate interference with national social citizenship rights (see Höpner and Schäfer 2007).

The mainstream view of economic nationalism as the antithesis to economic globalization is unsurprisingly also reflected at the level of theory—contemporary international political economy textbooks still routinely associate economic nationalism with the broader realist theory of international relations, and juxtapose it to its rival liberal, Marxist, or constructivist approaches. Economic nationalism is usually (and mistakenly) conceptualized as the continuation of early modern mercantilism—the traditional mercantilist focus on the need for a positive trade balance was complemented by a range of policies to strengthen internal economic capabilities, for example through the state-driven development of new industries (see e.g. Balaam and Veseth 2001). At the core of this perspective is the understanding that

economic nationalism is a set of state policies (from trade and monetary to industrial and social policies) whose ultimate aim is the “protection of the national unit” (O’Brien and Williams 2007, 14) in an anarchic international system where states are pitted against each other in a zero-sum struggle for power and wealth (see *ibid.*, 14–17). Security is the core issue for states, and economic nationalist policies constitute one among many means through which states seek to maintain their security against foreign threats. As Crane puts it, “the state . . . must turn economic activity to national advantage because if it does not the national community will be vulnerable to relative material loss to other economically dominant states” (1998, 57). In some variants, vulnerabilities are conceptualized in a much more extensive way, so that national security may even be threatened “by foreign movies, magazines, and television shows, which may weaken a nation’s social and cultural cohesion” (Balaam and Veseth 2001, 26).

Liberal theorists have continued to oppose this view, but not because they contest the *explanandum*—economic nationalism as a set of “protective” state policies—but because they see it as a pathology rather than normality, and hence tend to approach its explanation in a way that is, in Crane’s apt analogy, “akin to a medical researcher when fixing a disease” (Crane 1998, 59). Liberal explanations question the alleged necessity of the deployment of state power to secure “national interests” and instead draw on “rent-seeking” models that link economic nationalism to interest group lobbying and the associated notion of the alleged imbalance between organized producer and dispersed consumer interests in modern democracies (see e.g. Johnson 1967). In some renditions, this is complemented by a broad understanding of individual utility maximization through which economic nationalist policies can be conceptualized as “psychic income” motivated by a “taste for nationalism” (*Ibid.*, 13–14).

Ultimately, of course, such “nationalistic desires” are as pathological as rent-seeking from a liberal point of view, given that they “tend to direct economic policy toward the production of psychic income in the form of nationalistic satisfaction at the expense of material income” (*ibid.*, 14). To this day, liberals castigate economic nationalism as irrational and wasteful and yet—or precisely because of this perceived irrationality—they see it lurking behind every corner. The *Economist* article quoted at the beginning of this chapter is a perfect illustration of this ambivalence: while confident that globalization processes are now more firmly entrenched than in the 1930s, the editorial also warns that “even commercial logic gets trampled underfoot . . . when nationalism is on the march” (The Economist 2009).

Two Alternative Perspectives: Nationalism in Heterodox Marxism and Industrialization Research

While the debate about economic nationalism as the presumed antithesis of globalization has dominated political economy scholarship to this day, a literature review would not be complete without at least a brief discussion of two alternative perspectives on the subject: heterodox Marxism and industrialization scholarship. Some approaches to industrialization—in particular Rostow's (1960) modernization stages paradigm—are often juxtaposed to Marxist scholarship (see Chirot and Hall 1982), and, as we shall see, they also differ in their treatment of (economic) nationalism. Yet, at the same time, both perspectives conceptualize (economic) nationalism in a similar way: rather than as a specific economic policy doctrine, nationalism is portrayed as a broadly defined ideology that can help to legitimize socio-economic systems and processes.

Heterodox Marxism: Nationalism, Class, and Socioeconomic Systems

As has often been noted, Marx and Engels never developed a systematic theory of nations or nationalism. Their writings on the subject combined a principled rejection of nationalism as bourgeois ideology (“the working men have no country”) with a later developed strategic approach that assessed national movements in terms of their functional contribution to historical progress through class conflict, hence the (in)famous distinction between “historic” and “non-historic” peoples (see Szporluk 1988). As a consequence, most Marxist scholarship has failed to take nationalism seriously (see Nairn 1975), while communist movements around the world have usually adopted a purely instrumental approach to the phenomenon (see Connor 1984).

However, the Marxist heritage also includes several heterodox currents that have made more thorough attempts to reconcile class and nation, from the “Austro-Marxist” school of the early twentieth century to contemporary thinkers like Nairn (1975), Anderson (1983), and Hobsbawm (1990). Their work takes nationalism seriously as an ideational force that cuts across class boundaries while holding firm to a Marxist emphasis on socio-economic structures and processes as the key to explain the powerful grip of this force (see e.g. Nairn 1975, 8).

In the field of political economy, one of the most interesting attempts in this regard has been made by the neo-Gramscian scholar Robert Cox. Building on Gramsci's core insight of “cultural hegemony” as a crucial tool to ensure class rule, Cox (1987) highlights how nationalism came to be associated with strategies to incorporate the working classes into national societies during the nineteenth and twentieth centuries. In the developed West,

this took the form of the “welfare-nationalist” state (*ibid.*, 164–89) whose origins Cox discerns in embryonic welfare state measures and the development of corporatist capital-labor bargaining in the late nineteenth century. Cox stresses the primarily top-down nature of these processes—Bismarck looms large in the analysis—but insists that nationalism was the key element that underpinned the necessary cross-class ideological consensus. Accordingly, the advances in working class incorporation during the two world wars are seen as the zenith of “welfare-nationalism” (*ibid.*, 177–85). In the post-1945 period, the Keynesian and corporatist foundations of “welfare-nationalism” survived, but they were redirected to a new purpose, namely to help adjust national economies to the successive liberalization of world trade (*ibid.*, 219–30).

Cox’s account may be legitimately criticized for its instrumentalist approach (see Crane 1998, 61–62), but his approach is analytically interesting because he goes beyond “mainstream” economic nationalism debates—protectionism is here just one component of a broader ideology of nationalist class collaboration. Indeed, Cox’s emphasis on the adjustment function of “welfare-nationalist” institutions to post-1945 market liberalization not only fits well with the recent emphasis on the often symbiotic (rather than antagonistic) relationship between nationalism and international market integration (see below), but can be easily connected to contemporary developments—witness the numerous studies on corporatist “competitiveness” pacts in Western Europe during the 1990s and 2000s (see Streeck 1998).

Cox also applies his approach to what he terms the “neomercantilist-developmental state” in the post-1945 developing world where targeted policies toward foreign investment were embedded in the formation of a “nationalist coalition” between state bureaucracies and crucial segments of business and labor (Cox 1987, 230–44). Here, Cox clearly draws on “dependency theory” with its analysis of “developmental populism” in Latin America—conceived as the key legitimacy-creating device used by state elites to sustain a cross-class “developmentalist” alliance. Playing out in country-specific ways, this alliance is portrayed not only as a vehicle to contain widespread social unrest, but also as “the attempt by developing societies to harmonize the interests of groups that were opposed to each other but that united among themselves for the purpose of finding a new base for national power” (Cardoso and Faletto 1979, 132). Again, class and nation are seen as complementary rather than mutually exclusive categories.

World-systems theory, once humorously labeled as the dependency school’s “little Yankee brother” (Chirot and Hall 1982, 90), has also addressed the issue of nations and nationalism, not least in the work of its leading protagonist Immanuel Wallerstein. Yet, given the theory’s assump-

tion of a global division of labor as the key driving dynamic of the modern world-system, Wallerstein's conceptualization of nationalism is different from that of neo-Gramscian scholars like Cox.¹ Rather than linking nationalism to domestic class configurations, Wallerstein conceives of "nation" as a category whose relevance stems directly from the functioning of the world-system. More specifically, while racial categories help to sustain the bipolar division of labor between core and periphery, nationhood relates to the political structuring of the world-system as a system made up of sovereign states (Wallerstein 1991, 80). On the one hand, the development of "national sentiment" is portrayed as necessary to ensure the stability of these states in the face of dangers of internal disintegration and external aggression. On the other hand, legitimate claims to nationhood allow states to maintain or improve their position within the "pecking order" of the capitalist system. In this latter context, nationalism plays the role of an "ideology able to justify high rank but also to challenge low rank" (ibid., 82).

Like neo-Gramscianism, world-systems analysis opens up certain analytical perspectives beyond the mainstream political economy scholarship on economic nationalism. For example, Wallerstein's connection between "national sentiment" and the international "pecking order" strikes a chord with Nairn's thesis of nationalism as the ideology of uneven development (see Nairn 1975), which, if stripped of its instrumentalism (see Smith 1998, 51–56), provides an interesting way to analytically connect nationalism to perceived economic achievement. Even today, world market competition—including the intra-subsidiary competition in transnational firms—is often conceptualized as *inter-national* competition by the actors concerned (see e.g. Fetzer 2012).

On the other hand, Wallerstein's mechanistic deduction of nationhood from statehood (in turn deduced from the world-system) is of course highly questionable—after all, the state-nation relationship is one of the most controversially debated questions in the nationalism studies literature (see Smith 2001, 15–17). Again like neo-Gramscian approaches, world-systems analysis suffers from an instrumentalist bias, which severely limits its explanatory potential.

¹ In recent years, neo-Gramscian scholars have increasingly addressed class formation at the transnational level, but they have done so by highlighting new "cosmopolitan" values and identities. Nationalism is usually portrayed as a reactionary strategy of resistance to globalization (see e.g. Gill 2008).

Industrialization research: Nationalism as the “New Deal of Emotions”

The broad area of industrialization research provides a second alternative perspective on (economic) nationalism in the field of political economy. Like heterodox Marxists, many industrialization scholars have portrayed nationalism as an ideology that helps to mobilize support for socio-economic transformations rather than as a narrow protectionist policy doctrine. Moreover, as Milward (1985, 158–59) convincingly argues, prominent industrialization scholars like Gerschenkron and Rostow followed Marx in their emphasis on momentous change (“take-off,” “growth spurt”). In contrast to Marxists, however, class analysis does not feature prominently in their accounts.

Apart from these generic patterns, there are considerable differences among industrialization scholars in terms of the scope accorded to nationalism, as well as the assumed causal mechanisms that link nationalism to industrialization processes. In Alexander Gerschenkron’s 1951 essay on “Economic Backwardness in Historical Perspective,” for example, the importance of nationalism is confined to “catch-up” industrialization processes. Gerschenkron argued that industrialization in “backward” areas differed from advanced countries not only because of the greater role played by the state, but also because of differences in what he variously called “intellectual climate,” “spirit,” or “ideology” (Gerschenkron 1962, 6–7). This was so because the appeal to rational profit-seeking was not sufficient to overcome “mountains of routine and prejudice” and needed thus to be supplemented by a “new deal of emotions” that helped to endure transformation sacrifices and retain faith in a better future. Importantly, moreover, nationalism was just one among several such ideologies, which Gerschenkron saw primarily at work in nineteenth century Germany, while other countries like France and Russia relied on utopian socialism and Marxism, respectively (see *ibid.*, 23–26).

Compared to this contextualized approach allowing for country-specific “multiple” paths, Walt Rostow’s *The Stages of Economic Growth* (1960) is much more sweeping. For Rostow, the success of industrialization depends on a range of “non-economic changes,” and among those, nationalism has a prominent place: “As a matter of historical fact a reactive nationalism—reacting against intrusion from more advanced nations—has been a most important and powerful motive force in the transition from traditional to modern societies” (Rostow 1990, 26). Unlike Gerschenkron’s emphasis on nationalism as a mobilization device to overcome past domestic legacies, Rostow thus conceptualizes nationalism as driven by political and economic “humiliation” by foreign powers, and, moreover, as a universal phenomenon—even in the English case, industrialization is portrayed in part as a reaction against Spanish and Dutch wealth and power (*ibid.*, 34–35).

Simon Kuznets, to quote a third classic of the industrialization literature, also highlights the importance of new worldviews that enabled the breakthrough to modern economic growth, but he points to nationalism alongside broader tendencies toward secularist beliefs in progress and egalitarian insistence on work and merit as the sole criteria of social inequality (Kuznets 1966, 12–15). Nationalism itself is conceptualized as a community feeling, grounded in a common historical past, which primarily helps to neutralize—or at least mitigate—the inevitable interest conflicts that accompany the transition from agricultural to industrial societies (Kuznets 1973, 251–52). Importantly, Kuznets also points to nationalism’s Janus-faced nature (see Nairn 1975)—intensified nationalism may be necessary but costly. Germany and Japan are mentioned as examples where industrialization-related nationalism left a particularly “burdensome heritage for the following generations” (Kuznets 1973, 252).

As this brief survey indicates, industrialization scholarship provides another alternative perspective on (economic) nationalism, which is not confined to the analysis of protectionist policies. In fact, if we go beyond the historical issue of industrialization, the argument of nationalism as a mobilizing ideology to sustain major socioeconomic transformations has had a lasting impact, which can often be discerned in contemporary scholarship as well. The notion of perceived foreign intrusion or humiliation, for example, is a staple in the literature on socioeconomic development in many developing countries in the post-1945 period (see Burnell 1986). And much the same could be said regarding the idea of nationalism as necessary ideological “glue” to overcome economic hardship and dampen interest conflicts; Abdelal’s recent discussion of the post-communist transformation in the Baltic countries, for example, explicitly points to nationalism as the key mechanism that has helped to make major economic sacrifices acceptable (Abdelal 2005; see also Bohle and Greskovits 2007).

Nonetheless, as Liah Greenfeld has highlighted in relation to Rostow’s work, industrialization scholars usually treat nationalism as a broad residual category, which is poorly specified and primarily serves to fill gaps in an otherwise strictly economic explanatory approach (2001, 6–10). Moreover, as in the case of heterodox Marxist approaches, analytical attention is very narrowly focused on the ways in which nationalism may be associated with large macroeconomic structures and processes. As we shall see in the next section, however, the range of potential objects of inquiry on the connection between nationalism and economics is much larger than that.

The Recent Constructivist Turn

Since the late 1990s, political economy scholarship on economic nationalism has undergone a major revisionist shift. Inspired by the broader “constructivist turn” in the discipline (see Abdelal, Blyth and Parsons, 2010), a growing number of authors started to challenge key assumptions of the older debates, in particular regarding the traditional equation of economic nationalism with protectionist state policies. This section will highlight the main achievements of this new constructivist understanding but will also point to shortcomings, which have so far limited its impact: still today political economy textbooks routinely refer to “economic nationalism” as a synonym for protectionism and (neo-)mercantilism (see e.g. O’Brien and Williams 2007, 14–18), despite the important critique to this ambiguous association provided by the constructivist literature.

Long Overdue: “Bringing the Nation Back In”

At the heart of the long-due constructivist turn has been a growing uneasiness about the fundamental assumptions of the traditional debate on economic nationalism between liberals and their assorted opponents.² In a much-quoted 1998 article, George Crane argued that traditional concepts of economic nationalism were “something of a misnomer” because they equated state and nation, which, however, “were quite different phenomena. The state is a political apparatus . . . aimed at controlling people, territory and resources. Nation is a collective identity, an ‘imagined community.’” Given that economic nationalism could not be researched by looking at state policies, it was necessary to “bring the nation back in” (Crane 1998, 55).

In a similar vein, Eric Helleiner, one of the most vocal proponents of the new current, highlighted the vagueness of the traditional concept and raised the crucial question why specific state policies (e.g. protectionism) should a priori be described as “nationalist,” given that they might equally be nurtured by mundane interests or alternative ideologies like socialism (Helleiner 2002, 309). Many authors also criticized the anachronistic traditional argument that linked economic nationalism to early modern mercantilism, which was of course concerned with the wealth and power of states (see Viner 1948) rather than that of national communities (see e.g. Shulman 2000, 366).

All these critiques were variations of the theme that economic nationalism had to be “measured” in terms of its nationalist ideological content—a

² Constructivists paid less attention to the alternative perspectives deriving from Marxist and industrialization approaches. For an exceptional critique of Cox’s writing see Crane (1998, 60–64).

theme that was quintessentially expressed in the reinterpretation of thinkers like Friedrich List. Rather than as the father of protectionist trade policies, List was now primarily seen as a prominent critic of the atomistic liberal view of a world economy made up of billions of advantage-seeking individuals. Instead, he had insisted on the “nation” as the base unit of economic life (Levi-Faur 1997; Helleiner 2002).

In line with this shift, recent scholarship has also fundamentally—and convincingly—challenged the traditional dichotomy between economic nationalism and processes of international economic integration. If protectionist state policies may be motivated by non-nationalist concerns and ideologies (e.g. socialism), it is equally plausible that economic nationalism may be compatible with, or even conducive to, economic liberalization and globalization processes. In other words, if what matters is the ideational content, economic nationalism may be compatible with a range of very different policies, from autarky to free trade. In fact, a good part of the revisionist scholarship deals precisely with variations of such a “liberal economic nationalism”—whether for the nineteenth century (Helleiner 2002) or for the more recent globalization period (see e.g. Pickel 2003).

Inspired by this broad revisionist thrust, the range of recent empirical contributions has been impressive. For example, several studies have successfully connected nation-building processes in former Soviet Union republics to the question of trade links with Russia on the one hand and Western Europe on the other (see Abdelal 2001; Eichler 2005). Others have focused on more established nation-states—witness, for example, Klaus Müller’s highly insightful study of the economic content of German post-1945 national identity (Müller 2005) or Derek Hall’s intriguing account of the recent transformation of Japanese economic culture (Hall 2005). Yet others again have dealt with the ways in which nationalism is expressed in economic discourse and practice among minority communities (Helleiner 2005b). Most innovative from a conceptual point of view, the new concept of “economic patriotism” has been introduced to highlight the fact that economic identities may become expressed at the local, regional, as well as—at least in Europe—the supranational level (see Clift and Woll 2012).

Unsurprisingly, as already mentioned, the connection between economic nationalism and international economic integration has attracted particularly strong attention. Some authors have approached this topic from a macro perspective. Stephen Shulman, for example, drawing on A. D. Smith’s (2001, 9) threefold definition of nationalist ideals (identity, autonomy, unity), has attempted to conceptually map the complex ways in which international economic integration may entail a strengthening or weakening of economic nationalism, and has applied this map to cases of majority and minority nationalism in India, Ukraine, and Quebec (Shul-

man 2000). Others have looked at specific countries (see e.g. True 2005) or sectors, from defense (Hoeffler 2012), to agriculture (Goff 2005), and financial services (Morgan 2012). There is now also a new scholarship about the relationship between economic nationalism and foreign direct investment (FDI) that goes beyond the traditional approach to equate economic nationalism with FDI restrictions and addresses the much more interesting question of the conditions under which state policies toward FDI change across time, country, and industry (see e.g. Callaghan and Lagneau-Ymonet 2012).

The second major empirical field of constructivist inquiry has been monetary policy. Again, constructivist authors have emphasized the need to go beyond the traditional Hayekian equation of “monetary nationalism” with capital and exchange rate control (see Hayek 1937) and have focused on the various ways in which currencies are connected to national identities. Eric Helleiner (2003) in particular has sought to demonstrate how the creation of territorial currencies in the nineteenth century was partly motivated by nation-building attempts, and that these attempts often proceeded in symbiotic connection with, rather than opposition to, the international monetary regime of the gold standard.

Most of the empirical work on the link between currencies and national identity has concentrated on the national iconography of coins and banknotes (see e.g. Veselkova and Horvath 2011; Penrose and Cumming 2011). Some have gone further and have also inquired into the conditions under which currencies have contributed to a sense of national unity and solidarity through the leveling of social communication and the creation of a new common framework of experience (see Helleiner 1998; Gilbert and Helleiner 1999). The issue of national currency as a symbol of national sovereignty is also discussed in the new literature. While the adoption of a separate national currency has historically often been seen as an indispensable element of national sovereignty, this appears to have changed today not least against the backdrop of recent trends of “dollarization” and the shift toward a supranational currency union in Europe (see Helleiner 2003, 2005b).

Limits and Shortcomings of the Constructivist Turn

While the constructivist turn has thus inspired a great deal of new and innovative scholarship, it has so far unfortunately not been able to displace the old misconceptions about economic nationalism. This can be easily grasped by looking at current textbooks in the field of international political economy, which usually ignore the recent scholarship and instead continue to refer to “economic nationalism” as a synonym for protectionism or (neo-)mercantilism (see e.g. O’Brien and Williams 2007). The “non-

impact” is equally expressed in the more specialized literature. In a 2012 Oxford University Press collection entitled *Globalization and Economic Nationalism in Asia*, for example, editor Anthony P. D’Costa defines economic nationalism as “a set of state practices, policies and strategies . . . to protect and promote national economic interests such as national well-being” (D’Costa 2012, 2–3)—little more than an amended version of the old state-centric understanding.

Indeed, while most of the “non-impact” is due to non-engagement, some explicitly reject the constructivist turn. For example, in a recent piece for the journal *Global Policy*, Pryke argues that constructivist accounts of economic nationalism are “extremely vague” and tend toward a conceptual “overstretch” that “makes it difficult to imagine what would not be included under the heading” (Pryke 2012, 284). There are of course, good reasons to reject this simplistic reasoning.³ And yet, Pryke’s argument is indicative of the continued and widespread misgivings about constructivist economic nationalism scholarship among political economy scholars.

To some extent, clearly, these misgivings simply reflect the more general situation in the discipline. Compared to other social science disciplines, skepticism and outright hostility toward constructivism remain particularly widespread among economists and political economy scholars, the majority of whom continue to focus on allegedly pre-ideational interests and actor strategies (see Abdelal, Blyth, and Parsons 2010). It would be shortsighted however, to just cast the blame on disciplinary ignorance, as, at least in my view, the “non-impact” of constructivist scholarship is in part self-inflicted.

At the most fundamental level, while compelling in its critique of traditional misconceptions, constructivist scholarship has remained too vague in terms of its alternative approach, which, in turn, is in large part due to an insufficient engagement with nationalism studies scholarship. Surprisingly, much of the new scholarship takes concepts like “nationalism” or “national identity” for granted and omits a systematic conceptual grounding, or, alternatively, draws selectively on a given approach without much justification. Perhaps most problematically, the core terms “nation” and “nationalism” are often simply used interchangeably—and without reference to the vast literature dedicated to this question. Shulman, for example, points to the “many different conceptualizations of nationalism and nations” (2000, 368), but then simply proceeds to adopt Smith’s (2001) definition of nationalism.

Even where significant engagement exists, this is usually very selective. Crane for example, treats a range of “classic” texts in nationalism studies

³ For a nuanced discussion of this problem regarding liberal and nationalist motivations for trade policy, see Hall (2005, 121–24).

from Gellner to Renan and Anderson (Crane 1998, 64–68), but omits any discussion of the more contemporary literature. Drawing on Brubaker (1996) among others, Pickel (2003, 2005) highlights the importance of treating nationalism as a “generic discursive structure” rather than merely as a specific doctrine, but this insight remains disconnected from his own overly complex and confusing definition of economic nationalism as idea/ideology, political action, and structure (Pickel 2005, 12). It is in part this insufficient conceptual grounding that has given rise to the superficial misperception that the new approach “rests on the assertion that as national identities exist, so everything governments do with respect to economics is ‘nationalist’” (Pryke 2012, 284).

In fact, Pryke’s critique also points to a second major problem of the recent constructivist scholarship—but not because of its misleading claim of “conceptual overstretch,” but, to the contrary, because it inadvertently highlights that constructivists have continued to tie economic nationalism too much to the explanation of government policies. Of course, there is nothing wrong with the analysis of potentially nationalist motivations of government policies; indeed, this focus is more than understandable if constructivists are to demonstrate that ideas matter in the “real world.”

And yet, it is precisely this eagerness to show the relevance of constructivism for mainstream political economy scholarship that has unduly narrowed the revisionist research agenda in two core respects. First, the strong emphasis on the ways in which economic nationalism can be “causally linked to policy outcomes” (Helleiner 2005a, 220) often comes at the expense of a systematic analysis of nationalist discourses themselves. While revisionists invariably highlight the need to define economic nationalism according to its nationalist content rather than as a variant of protectionism, their concepts often display a surprising behavioralist bias—witness, for example, Pickel’s already mentioned threefold definition of nationalism as idea/ideology, political action, and structure. The same holds true for Clift and Woll’s definition of economic patriotism as “economic choices which seek to discriminate in favor of particular social groups, firms or sectors understood by the decision-makers as insiders because of their territorial status” (Clift and Woll 2012, 308). Ultimately, these conceptualizations run into the same problem that bedeviled the traditional approach, namely that policy action or “choices” can be inspired by a range of different motivations. Discrimination in favor of local producers, for example, may not only be motivated by patriotism, but equally by cosmopolitan notions of ecological sustainability.

Second, the revisionist research agenda has also been unduly narrow regarding its almost exclusive focus on state actors. There are exceptions, of course. For example, some authors have addressed economic nationalism among minority nations within existing states (see Helleiner 2005b),

while others have sought to connect economics to nation-building processes, especially in the former Soviet Union (Abdelal 2005, Herrera 2005). Yet, the bulk of scholarship has concentrated on the connection between economic nationalism and government policies. Revealingly, very little has been written about the role of non-state actors such as businesses or interest groups. Still more importantly—and sadly—revisionist scholarship has practically ignored the vast field of studies that connects nationhood to consumption, reflecting the broader “production bias” among political economists. Neither the primarily historical research on the connection between consumption and citizenship (see Cohen 2003, Trentmann 2008), nor the historical, sociological, and anthropological work on the importance of national identity for consumer behavior (see Edensor 2002; Frank 1999; Gerth 2003) and product branding (see Kühschelm, Eder, and Siegrist 2012), has been taken up in political economy scholarship.

Ultimately, all this suggests that revisionist political economy accounts of economic nationalism have not gone far enough in their critique of traditional approaches. Revisionists have neglected the ideational grounding of core concepts, and the narrowness of their research agenda has made it difficult to connect their work across disciplines.

Conclusions

A broad look at the historical evolution of political economy scholarship on nations and nationalism yields a rather unambiguous result, namely that the conceptualization of (economic) nationalism as the antithesis of internationalization/globalization is deeply entrenched in the discipline. Alternative perspectives like those advanced in the industrialization scholarship were marginal in the past and remain so today—despite two decades of constructivist challenges. Indeed, a skeptic may well conclude that it is unlikely that any alternative understanding will gain much ground in the foreseeable future.

If constructivists want to make some stronger inroads at least into the academic debate, they need to strengthen the ideational grounding of their work through a more thorough engagement with the conceptual literature on nations and nationalism. To take just one obvious example, anybody working with the “economic nationalism” concept should first clarify whether “nationalism” is understood as mass sentiment, ideology, political movement, or discourse (see Smith 2001, 5–9). They also need to widen their analytical lens beyond the hitherto predominant focus on government policies. To this end, more collaboration with historians, sociologists and anthropologists is indispensable.

In the short term, this may well lead to even more estrangement from the political economy mainstream, but at least it would help to dispel misconceptions about conceptual overstretch and would do much to clarify what an alternative constructivist understanding of economic nationalism could look like. In other words, such an agenda would provide a more solid positioning and a point of departure for a more articulate dialogue within the wider discipline.

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Part II:

Case Studies

Visions of Europe: European Integration and its Origins in Nineteenth Century Economic Thinking About Nation-Building

Harold James

Europe has always been a site of political and institutional experimentation. Its premodern existence, with a proliferation of multiple and competing states or political entities, presents a contrast with the imperial systems that dominated the center and east of the Eurasian landmass. In very recent times, European integration is often held to have created a postmodern view of the state, moving away from modern concepts of clearly-defined sovereignty, and to offer a superior contrast to the classically modern state, or superstate, offered in American history (Cooper 2003). In each case, the type of political organization is often thought to be associated with a particular economic outcome. In the premodern setting, the competition between states and the ability of skilled workers and entrepreneurs to move to more favorable political settings fostered entrepreneurship and development.¹ Modern Europe provided the nation-state as a framework that combined trans-regional economic activity with social protection and defense against products—agrarian or industrial—produced under more favorable circumstances outside the national carapace. In the postmodern environment, the European Union is supposed to give Europe the framework that is needed to stay competitive in a globalized economy. In each of these arguments, a causal relationship is easily—perhaps too easily—established between a political order and a favorable political outcome, and many commentators make the easy slide into justifying the order through the outcome.

Economic justifications of political orders are important in everyday debates, because it is often not entirely clear why one system is adopted rather than another. Early modern Europeans worried like Samuel Pufendorf about the theoretical incoherence of their non-sovereign political world. Europeans continually struggled with the link between the ethical foundations and practical political and institutional forms: they were sus-

¹ This case is made powerfully in Landes (1998) and Jones (2003).

pended endlessly on the parallel bars of “is” and “ought.” The rationalization of an order by economic achievement may well, however, lead to a considerable vulnerability, especially in conditions in which the economic outcome no longer looks quite as favorable; and in such circumstances, the conventional explanation of politics is quickly and potentially devastatingly delegitimized. This essay examines how the connection between economics and national existence was made in the nineteenth century, and how the argument that was made then stayed in the political language and affects, even determines, the way in which we think about Europe today. The critical year, in which new visions both of Europe and of its nations developed, was 1848.

I

Before 1848, in an idealistic, Mazzinian vision, new peoples of each European country embraced each other in making a political order that they hoped would supplant the ossified world of Metternichian statecraft and the 1815 Vienna Settlement. The German painter Friedrich Overbeck in 1828 masterfully depicted that Romantic utopia in “Italia und Germania”: a dark, olive-skinned young woman is portrayed in front of a Tuscan landscape, embracing a fair-haired maiden with a gothic spire in her background. There was no contradiction between wanting Young Italy to assert herself and wanting German unity and Polish liberation and the realization of Hungarian national ambitions.

The failure of the revolution changed everything and produced a new emphasis on power and economics. While early nationalists had been philosophers and writers, shaped by a cultural vision, by the middle of the nineteenth century a new generation of power-obsessed historians and institutionally-focused economists succeeded them.²

In the first place, nation-building in practice (as opposed to in theory or in philosophy) emerged out of crude power politics. Rather than offering an alternative to the balance of power, it depended on manipulating that balance, using intricate diplomatic maneuvering, pretense, bluff, and deception. It was a success of Piedmontese and Prussian negotiators—and of armies—rather than liberal majorities.

The great theoretician of *Realpolitik*, and the coiner of the term, was a German journalist and a veteran of 1848, Ludwig August Rochau. According to Rochau, 1848 and philosophical idealism had failed because the Frankfurt Assembly had no army and no realistic concept of foreign policy. A united Germany could only be formed on the basis of the possibilities

² For a broader exposition of this argument, see James (1989).

offered by the European state system. But above all, the correct policy depended on its conformity with the "spirit of the age." Rochau was obsessed with the idea of a *Zeitgeist*. "A policy contrary to the *Zeitgeist* carried on as a systematic policy and over a long period of time is not simply incapable of execution, it is also unthinkable," which meant for Rochau that political institutions and assemblies could only work if they were properly representative—or, as he put it, if they were "the correct expression of social forces" (Rochau 1853, 13, 21).

In 1869, Rochau wrote a second volume of the *Realpolitik*, after the institution in Prussia of Bismarck's regime, after the Prussian victory over Austria at Königgratz, and after the formation of the North German Confederation around Bismarck's Prussia (1867) had apparently vindicated Rochau's original arguments of 1853. *Realpolitik* as a concept could clearly be applied to Bismarck's disregard for almost all the traditional conservative principles—in particular for the theory of legitimacy—and to his rapid formation and then destruction of foreign political alliances. In the 1869 version, Rochau's admiration for power politics appears without any moral figleaf: "The test of political power is the struggle . . . The highest judgment in all cases of power against power is war" (Rochau 1869, 18–19).

The new version of *Realpolitik* also depicted with a new and brutal candor the basis of Prussia's might. Freedom, Rochau wrote, was not to be achieved through political change but only through the acquisition of property. Whatever progress had been made in the direction of national unity was a consequence of human self-seeking. A Fatherland was no longer a question of patriotic dreams, or of a "longing of the heart." On the contrary, "for Germans, unity is basically a pure business affair [*eine reine Geschäftssache*] in which no one wants to lose, but everyone wants to extract as much as possible for themselves" (Rochau 1869, 26–27). In a similar vein of analysis, Count Cavour had justified the liberal approach on the entirely pragmatic grounds that "free institutions tend to make people richer" (Smith 1997, 22).

This doctrine amounted to an economic determinism of the type that became commonplace to German thinkers after the middle of the century. The most enduring expression of such determinism was of course Karl Marx's *Das Kapital*, the first volume of which was published in 1867. It was perhaps a less original work than we are usually tempted to suppose, for it rather echoed and then distilled many of the views circulating in contemporary Germany. It sought to demonstrate the necessity of events. In *Das Kapital*, Marx abandoned a Hegelian tradition of which in the 1840s he had formed an important part, and which had allowed greater room for individual actions and initiatives. The work is a monument to the natural, ineluctable, or iron laws of social action: "It is not a question of the higher or lower degree of development of the social antagonisms that result from

the natural laws of capitalist production. It is a question of those laws themselves, of those tendencies working with iron necessity towards inevitable results" (Marx and Engels 2007, 13).

German and Italian businessmen, thinkers, but also politicians saw a need to catch up with the model of preeminence and power offered by Great Britain. But Britain had some rather unique advantages: above all it had security at a relatively cheap price because of its island location. For the small and comparatively dynamic *ancien régime* states that lay on the old historic Rhineland and Alpine trade route from the North Sea to the Mediterranean—such as the Netherlands, but also Tuscany, Venice, or Baden—there was no such easy answer. Defense was too expensive, and territorial expansion would produce additional costs that could not be covered from additional revenue. Unconventionally shaped states had a greater incentive to change the status quo: Prussia, an odd amalgam of low quality agricultural land with some rich territories in the west of Germany, in the Rhine corridor, or Piedmont, a prosperous and heavily French-influenced territorial state linked to a large and poor Mediterranean island. These two states already incorporated huge contradictions, between rich and poor, between manufacturers and farmers, between Protestant and Catholic. An expansion might be a way of reducing or relativizing these differences by setting them in a larger context.

Bismarck's story can be read as an example of how popularized economic determinism came to dominate the intellectual horizons of nineteenth-century Germans. Bismarck, it hardly needs to be said, did not set out to apply Marx's political and economic philosophy any more than he believed that he was implementing the elements of *Realpolitik* as formulated by Rochau. However, he shared many of their assumptions. To begin with, the nineteenth century was, he thought, the age of "material interests," in which the old theories of the *ancien régime* were redundant—whether legitimism or conservatism, devised as defenses of the *ancien régime*, or liberalism, conceived as an onslaught on the old order. In this world, individuals were the prisoners of broader movements. They could not alter the inexorable march of historical determination. In 1869, the most powerful man in Germany wrote meekly: "I am not so presumptuous as to believe that such as we make history. My work is to observe the currents and steer my ship in them as best I can. I cannot direct the currents, still less conjure them up" (Rothfels 1955, 345).

If individuals had to swim with the tide of destiny, so did nations. National destinies were, if anything, more determined than those of individuals. External events—such as economic change or foreign political development—mattered much more than the longings of romantic nationalism. These belonged to invention: there was nothing special about territorial and national identities, or about the "swindle of nationalities," as Bismarck

termed it. In human affairs, all was subject to perpetual change. As an illustration of this fluidity, Bismarck thought of the connection between Prussian and German identities. Were not both simply a matter of temporizing with external exigencies? Of bowing before an implacable God of history and destiny? In 1869, Bismarck wrote to Albrecht von Roon, the Prussian War Minister, a sternly upright man whose sympathies lay with an older and specifically Prussian brand of conservatism. It was only two years after both of these men, because of the rapidity of political change and largely as a result of Bismarck's own strategy and actions, had become part of the North German Confederation. Only one year later both were to become subjects of a new German Empire: "You will have to admit that both we and His Majesty are born *North Germans*, while around one hundred and seventy years ago our ancestors cheerfully allowed themselves—for the sake of higher interests—to exchange the glorious name of *Brandenburgers* for the then rather extinct title of *Prussians*, without really being Prussians" (Rothfels 1955, 347).

Identity changed as a result of clashes and wars. Second, then, the developments of the 1860s were the outcome of vast and bitter civil wars. We should place the unification of Italy and Germany alongside the drama of the much bloodier but also highly divisive American Civil War. In each case, a more industrialized north defeated a rural—and perhaps more romantic—south. Perhaps only in the German case has that division been successfully overcome even in the twenty-first century. At first, the outcome of the clash of arms was a matter of chance and skill. But the longer the conflict was maintained, the greater the chances for the side that could mobilize industrial capacity and taxable resources. Indeed, it was the budgetary aftermath of the North Italian War of 1859 for the Habsburg Empire and the near bankruptcy of the monarchy that gave Prussia the chance to reassert itself in German politics.

In the 1860s, war and business—Mars and Mercury—shifted the emphasis away from a romantic longing for unity toward a practical emphasis on the benefits of unity. By the 1860s Germany's most famous businessman, Alfred Krupp, saw the clear parallel between his business development and the emergence of the German state. In the aftermath of German unification, he made the explicit comparison: "My achievement will stand and fall with Prussia's greatness and military supremacy" (Gall 2000, 154). By 1871, when the King of Prussia became the German Emperor, Krupp had become the symbol of the new Germany, built on technical achievement as well as military success. His interpretation of the crushing Prussian victory at the battle of Sedan was clear: "We are now living in the age of steel. Railways, Germany's greatness, France's ruin, are in the steel age, the Bronze Age is over. Steel has finished being the material of war, it now has a milder destiny, it should be used for the first monument of victory, for monuments of great deeds and great men, as the expression of external and

domestic peace, it should ring in church bells, be used for ornaments and commercial purposes, and in coinage . . .”³ David Blackbourn diagnoses a “continuing affirmation of so many features of urban, mechanical life, with all its attendant artefacts and cultural forms . . . a continuing strain of shallow optimism” (Blackbourn and Eley 1984, 217).

This attitude had its counterpart in Italy, and even across the Atlantic—where the eventual outcome was rather different. Patriotism could generate business opportunities. The great Florentine liberal, Bettino Ricasoli, came to the conclusion that Tuscany was simply financially unviable on its own. In the United States, the Civil War was what Charles and Mary Beard famously called a “second American Revolution, . . . making vast changes in the arrangement of classes, in the accumulation and distribution of wealth, in the course of industrial development, and in the Constitution inherited from the Fathers” (Beard and Beard 1927, 53–54). Initially, Abraham Lincoln had preferred a straightforward business transaction, in which southern slave owners would be compensated from the federal budget for the loss of property rights involved in emancipation; later he came to see the war as a divinely-enforced property transaction. God “gives to both North and South this terrible war . . . until all the wealth piled by the bond-man’s two hundred and fifty years of unrequited toil shall be sunk, and until every drop of blood drawn by the lash, shall be paid by another drawn with the sword” (Guelzo 2009, 120). Lincoln reasserted the principle of morality, while in the European civil wars *Realpolitik* triumphed.

The new realities were underlined by new currencies. Germany introduced a single currency, the Mark, to replace the southern gulden and the northern thaler, two years after unification, in 1873. The new currency replaced a wide range of circulating money: as elsewhere, including the United States, coins of all types and denominations and origins had been circulating. Italy after the war of 1866 operated its currency, the lira, on a forced exchange rate, the *corso forzoso*. Thus just at the point when a first wave of globalization appeared to be uniting the world, countries introduced what Eric Helleiner terms “national money” (Helleiner 2003). They also began to view that national money as an expression of power, that was used in the competition of states. As Georg Friedrich Knapp, the German author of *The State Theory of Money*, put it: “the stock exchange is the place where the powers struggle to determine the exchange rate . . . the state mixes itself in the fight and brings its power to play” (Knapp 1905, 242).

When the unconventional Italian and German states emerged, when Cavour and Bismarck stood supreme, there was a clear but problematical

³ Program for audience at Kaiser Wilhelm I, April 21, 1871, Krupp archive; WA 7 f/1688; letters of Alfred Krupp of April 23, 1871, and December 26, 1871, from Wilhelm Berdrow, 1915, 257, 259, 269.

legacy of the way in which unity had been thought and fought. As Massimo d'Azeglio famously put it, "Italy was made: now it was time to make Italians" ("L'Italia è fatta, bisogna fare gli italiani"). There was a need for a developmental strategy, one which fitted with the prevailing sense of the need for creating the sinews of a new state. But there was also a legacy of the security dilemma that had produced unification: that changing the state structure depended on altering the age-old continental Austro-French balance that went back to the rivalry of Habsburg and Valois. So it was likely that the developmental strategy should have a heavy military orientation. The German approach made the house of Krupp the iconic German enterprise of the Kaiserreich; and the apparent success of the German model pushed the Kingdom of Italy to a developmentalism that in the 1880s focused on building up the improbable Umbrian town of Terni into a central Italian Krupp, a replica of Essen.

Thinking about economics and the economic imperative of nation-building constituted the dramatic shift that occurred between the first and the second halves of the nineteenth century. But there are modern analogues, driven by the patterns of thought and language built in the foundational period of European state creation. In particular, it is the same process of thinking that it is economics that generates new necessities and builds new identities, the process that took over the mid-nineteenth century definition of nationality, that appears again in a new guise as the driving force of European integration. And the old paradoxes and problems also reappear.

II

The legacy of thinking about political existence primarily in terms of economic consequences or outcomes was powerfully visible in the history of the postwar Federal Republic of Germany. The political and intellectual elite for a long time presented the country as a political dwarf but an economic giant, with foppish and critical but ultimately quite marginal neo-conservative intellectuals criticizing the "decadence" of the "absence of a will to power."⁴ The economic miracle (*Wirtschaftswunder*) of the 1950s offered an obvious and easy path out of the failed hyper-nationalism of the past and away from the crimes of the Nazi era. Germans retreated into the private sphere, and into an urge for consumption, for which they believed they might save because the currency was stable. Stable money looked as if it was at the foundation of an economy of trust and of success. The idea of money was embedded in a deep institutional structure that was referred to

⁴ See Hanrieder (1989) and Bohrer (2007, 659–67).

in terms that foreigners found hard to understand: “stability culture” and “monetary constitution.” Behind these terms lay the idea that the state should not abuse its monetary powers, and that money should be determined by a strict rules-based approach. Unlike the dollar, whose preeminence and inflationary tendencies Germans suspected, this was not a “can do” currency. The monetary constitution meant a “cannot do” approach.

The Deutsche Mark, fundamentally the outcome of a currency reform imposed by the western Allies in 1948, came to be regarded more and more not only as a success, but as a central constituent of a new German identity. It was celebrated as “a goddess, . . . not just a currency but faith, love and hope for Germans after two world wars, inflation, and banking and economic crisis” (Pohl 2001, 7). The institution that managed the Deutsche Mark, with lower rates of inflation than any other industrial country apart from Switzerland, the Deutsche Bundesbank, was highly respected by Germans (who rated it higher in terms of institutional trust than any other German body), as well as suspected and feared by foreigners. David Marsh, in a book entitled *The Bank That Rules Europe*, stated that “the Bundesbank has replaced the Wehrmacht as Germany’s best-known and best-feared institution” (Marsh 1992, 10; see also Müller 2005).

The Bundesbank’s managers knew how to play a political game against the government, in which, on numerous important occasions, the central bank came out victorious: against Konrad Adenauer, in 1956, when the Chancellor made himself appear ridiculous by criticizing an interest rate decision, and against Helmut Schmidt in 1978 in negotiations over the European Monetary System. The most obvious example of defiance by the government against the Bundesbank came in 1990, when Helmut Kohl imposed the 1:1 valuation of the East German Mark against the expressed view of the Bundesbank President, who warned (correctly) of the employment consequences for the East of the adoption of such an overvalued rate. An obvious expression of the self-image of the Bundesbank as a key to the stability of the political order was the motto of Frederick the Great that the Bundesbank designers inscribed on the edge of the five-mark coin in 1986: “I am the first servant of the state.”

From the 1970s, opinion surveys showed how popular the Deutsche Mark had become: according to the Allensbach Institute, in 1974, 57 percent of Germans replied positively to the idea that the German currency should be replaced by a single European currency, but in 1977 only 35 percent did, and in 1988—when the German government signed on to a decisive initiative that would lead to the Maastricht Treaty—the figure had fallen to 20 percent (see James 2005). Retrospectively, the Mark looked deeply intertwined with the story of the postwar German success of the Federal Republic.

In the debates about the German problem in 1989–90, as the communist regime in East Germany disintegrated, the Deutsche Mark played an ever more central role. East German protesters formulated the view that if “we don’t get the DMark, we will go to the DMark,” in other words abandon the German Democratic Republic. The adoption of this program ensured the victory of the eastern version of the CDU in the first free elections of March 1990, and Helmut Kohl rode on this wave to election as the first Chancellor of a reunited Germany at the end of the year. Some intellectuals, notably Jürgen Habermas, criticized what they depicted as “chubby-faced DM-Nationalism”. “Will,” he asked, “the D-Mark become the object of libido, emotionally revalued so that a kind of economic nationalism will overwhelm republican consciousness?” (Habermas 1992, 86). The idea behind the criticism was that a materialist focus on economic necessity, desirability, and potential would impede a deeper reflection on citizenship and the constitutional forms required to realize the solidarity implied in the idea of a free citizen.

There was something inherently vulnerable about the German view of a nation freed of its past by the fact of stunning present economic success. In the last decades of the twentieth century, German growth slowed down, became normal, and Germans worried about a “fading miracle” becoming the “sick man” of Europe (Giersch, Paqué, and Schmieding 1992). Germany needed to introduce tremendous reforms that amounted to a dismantling of much of the “Modell Deutschland” in order to be able to compete in a globalized economy. But there was a more fundamental cause for concern about the argument employed: economic success did not abolish the “German problem.” On the contrary, it made it more intense and more urgent. In his great confrontation with the Bundesbank, Helmut Schmidt had told the central bankers that:

We are doubly vulnerable and will remain so far into the next century. Vulnerable on account of Berlin and also on account of the open flank to the East, on account of the partition of the nation, symbolized by the insular position of Berlin, and secondly we remain vulnerable on account of Auschwitz. The more successful we are in the areas of foreign policy, economic policy, socio-economic matters, and military matters, the longer it will be until Auschwitz sinks into history. So much the more we remain reliant on these two pillars, of which I spoke, one of which is the Common Market. A European Community without an efficiently functioning common economic market will decay. (Deutsche Bundesbank 1978)

The argument became very powerful that Germany could not succeed as an “economic nation” on its own: but then the same logic of an economic imperative for political reorganization was applied to the European setting.

III

Visions of Europe belong to a particular time. They carry with them the hallmark, the dominant patterns of thought, of their birth. But there also exist substantial continuities between three of these crucial moments: 1848, 1945, and 1989. At these times, the process of building nation-states also reached a peculiar moment of crisis—or a turning point. The idea of Europe, reformulated at these times of political collapse, existential angst, and an explosion of the imagination, stands in an intricate relationship—Hegelians might like to call it a dialectic—with the conception of national cultures and national politics.

1848 was the year of the European Revolution, a movement that was regarded in European terms as the “springtime of the peoples.” They were national revolutions, of the young nations, young Italy, young Germany, even young England: but they were revolutions which started with an emphasis on commonality and ended with an assertion of national particularity. In the short term, the failure of 1848 looked as if it discredited the idea of a liberal European revolution.

Victor Hugo in 1849 told the universal peace congress that had been convened in Paris that:

The day will come when we will see these two vast groups, the United States of America and the United States of Europe, face to face, stretching out a hand over the oceans, exchanging their products, their trade, their industries, their arts, their genius, clearing the globe, colonizing the deserts, improving creation under the eye of the Creator, and together combining, for the good of all, those two infinite forces, the fraternity of men and the power of God! (Hugo 1937, 269f.)⁵

This thought remained an obsession of Hugo. Later, from exile from Napoleon III’s *grande nation* on the Channel Islands, he prophesied a vision of the world in a hundred years’ time:

In the twentieth century, there will be an extraordinary nation. That nation will be great, which will not stop it from being free. It will be illustrious, rich, thoughtful, pacific, and warm to the rest of humanity. . . . That nation will have

⁵ Translated from the original: “Un jour viendra où l’on verra ces deux groupes immenses, les États-Unis d’Amérique, les États-Unis d’Europe, places en face l’un de l’autre, se tendant la main par-dessus les mers, échangeant leurs produits, leur commerce, leur industrie, leurs arts, leurs génies, défrichant le globe, colonisant les déserts, améliorant la création sous le regard du Créateur, et combinant ensemble, pour entirer le bien-être de tous, ces deux forces infinies, la fraternité des hommes et la puissance de Dieu!”

as its law a facsimile, the closest possible, of natural law. . . . Unity of language, unity of money, unity of measurements, unity of time, unity of legal code; fiduciary circulation of money at its highest; paper money with a coupon making a rentier of anyone who carries twenty francs in their waistpocket; an incredible gain resulting from the abolition of parasitism; the enormous expenditure of sentry boxes suppressed; the cost of permanent armies transferred to the pockets of citizens. . . . This nation will have as its capital Paris, but will not be called France. It will be called Europe in the twentieth century, and in subsequent centuries, transfigured again, it will be called Humanity. (Hugo 1985, 6)⁶

Almost a century later, the European world obviously looked very different to the fantasy of Victor Hugo. But in the aftermath of the complete collapse of civilization and the annihilation of decency as well as culture, the vision looked more compelling than ever; and was set out in terms almost identical to those of Hugo by Europe's greatest statesman. In 1940, faced by a radical threat, Winston Churchill had been prepared to sacrifice even national sovereignty and proposed a union of France and Britain. After the catastrophe, he went further.

In Zurich in September 1946, Churchill appealed for a United States of Europe:

This noble continent . . . is the home of all the great parent races of the western world. It is the fountain of Christian faith and Christian ethics. It is the origin of most of the culture, arts, philosophy and science both of ancient and modern times. If Europe were once united in the sharing of its common inheritance, there would be no limit to the happiness, to the prosperity and glory which its three or four hundred million people would enjoy. Yet it is from Europe that have sprung that series of frightful nationalistic quarrels, originated by the Teutonic nations, which we have seen even in this twentieth century and in our own lifetime, wreck the peace and mar the prospects of all mankind. (Churchill 1946)

⁶ Translated from the original: "Au vingtième siècle, il y aura une nation extraordinaire. Cette nation sera grande, ce qui ne l'empêchera pas d'être libre. Elle sera illustre, riche, pensante, pacifique, cordiale au reste de l'humanité. . . . Cette nation aura pour législation un fac-similé, le plus ressemblant possible, du droit naturel. . . . Unité de langue, unité de monnaie, unité de mètre, unité de méridien, unité de code ; la circulation fiduciaire à son plus haut degré ; le papier-monnaie à coupon faisant un rentier de quiconque a vingt francs dans son gousset ; une incalculable plus-value résultant de l'abolition des parasitismes ; plus d'oisiveté l'arme au bras ; la gigantesque dépense des guérites supprimée ; les quatre milliards que coûtent annuellement les armées permanentes laissés dans la poche des citoyens. . . . Cette nation aura pour capitale Paris, et ne s'appellera point la France; elle s'appellera l'Europe. Elle s'appellera l'Europe au vingtième siècle, et, aux siècles suivants, plus transfigurée encore, elle s'appellera l'Humanité."

After 1989, with the collapse of communism and Soviet rule over Central Europe, a similar discussion began, with answers provided in similar terms. Most eloquently, the Czech dissident Václav Havel warned that “The demons that have so fatally tormented European history—most disastrously of all in the twentieth century—are merely biding their time. It would be a tragic mistake to ignore them because of technical preoccupations with transfer funds, quotas, or tariffs.” He looked for a longer-term answer: “We need only to remind ourselves of the anthem of the European Union. Does not Schiller’s ‘Ode to Joy’ offer an answer to this question? When it points out that life in the sacred circle of freedom requires giving allegiance and commitment to ‘the judge above the stars’? What else can this mean but that freedom and responsibility are two sides of the same coin and that freedom is thinkable only when it is based on a sense of responsibility toward an authority that transcends us?” (Havel 1996). At the moments of crisis, Europeans needed an inspirational, profoundly ethically motivated, concept of freedom and responsibility. How was that need met? How did the vision map onto reality?

IV

The vision is disconnected—appears to bear no relation to—the actual process of European integration. There is an academic industry devoted to showing how European developments are not the outcome of what Alan Milward termed the “European saints,” Monnet, Schuman, Spaak, Adenauer, de Gasperi: “men who held fast to their faith in European unity and through the righteousness of their beliefs and the single-mindedness of their actions overcame the doubting faithlessness of the world around them” (Milward 1992, 318). Instead, as Milward and Andrew Moravcsik eloquently demonstrate, the process was the outcome of national strategies for the management of bread and butter issues, notably the social protection of the initially politically important agricultural sector (Moravcsik 1998). Europe begins with the stars and the saints, and ends with the plough herds and the clods of heavy European soil.

The saints were quite aware of the processes and the calculations that actually drive politics. Jean Monnet formulated this view in the oft-cited formula that Europe is driven by crises. In his *Memoirs*, he provides an eloquent account of the characteristic frenetic all-night discussions to establish the European Coal and Steel Community, the antecedent of the European Economic Community and hence of the European Union. As he left the French Foreign Ministry on the Quai d’Orsay, the sun was rising, and he spoke to a French official:

“Now we have a few hours to test and a few months to succeed. After that—”
“After that,” said Fontaine, smiling, “we shall face great difficulties, and we shall use them to make further progress. That’s it, isn’t it?”
“It is indeed,” I said. “You’ve understood what Europe is all about.” (Monnet 1978, 371).

The problem is that this method is not very appealing to people outside the limited circle who enjoy the logic of late-night discussions sustained by cold Belgian sandwiches—the *demos* neither likes nor understands the process. Havel castigated “the erroneous belief that the great European task before us is a purely technical, a purely administrative, or a purely systemic matter, and that all we need to do is come up with ingenious structures, new institutions, and new legal norms and regulations” (Havel 1993).

As a result, any serious political figure has to talk a different language—the language of the saints—while performing a different sort of operation, the calculation of the clods. The exercise induces a political schizophrenia. The result is evident in the most far-ranging exercise in European integration since the 1950s, the making in the 1990s of a European monetary union.

The politicians spoke in the language of Monnet and Adenauer—and in effect of Hugo and Churchill—about avoiding European war. Monnet was proud to record the dialogue of two young soldiers on a French beach in the early 1950s and how one said, “With the Schuman Plan, one thing is certain: We shall no longer have to go to war” (Monnet 1978, 339). Helmut Kohl understood this language perfectly. For him, the greatest moments were those of Franco-German reconciliation, most strikingly when he held the hand of President François Mitterrand on the site of the carnage of the battlefield of Verdun. It reflected a deep psychological, familiar, impulse: he had lost his elder brother in the Second World War, and his mother’s brother had been killed in the First World War. Kohl’s most recent biographer, Hans-Peter Schwarz, rightly emphasizes the centrality of his promise to his mother that there should not—never—be another European war (Schwarz 2012).

In the early 1990s, as Havel was analyzing the problems of the vision that drove Central Europeans after the collapse of communism, the language of the saints reached a crescendo. The problem was that there was no technical preparation, no administrative capacity to take the steps needed to ensure that there would never be a war: no one in the European defense ministries, for instance, was willing to contemplate setting up a single European army; no one in the foreign ministries thought of a single external policy and indeed—as Havel lamented—the official European response to the disintegration of Yugoslavia was tragically confused and its effects destructive.

On the other hand, there was a well-established mechanism for negotiating about international monetary and currency issues. The mundane

truth about the evolution of Europe's monetary order is that it was in fact the outcome of global debates about currency disorder. European monetary integration appeared urgent in the late 1960s, as the Bretton Woods regime disintegrated, and in the late 1970s, when US monetary policy was subject to big political pressures and the dollar collapsed.

The most decisive push for a European solution to a global problem occurred in different circumstances. When the dollar was soaring in the mid-1980s, when American manufacturing was threatened and when there appeared to be the possibility of a protectionist backlash, the finance ministers of the major industrial countries pushed for exchange rate agreement. At the G-7 finance ministers' Louvre meeting in 1987, they agreed to lock their exchange rates into a system of target zones.

In practice, nothing came of that global plan, but then Édouard Balladur, the French finance minister who had largely been responsible for the Louvre proposal, came up with a tighter European scheme. When German foreign minister Hans-Dietrich Genscher appeared sympathetic, Europe's central bankers were asked by the president of the European Commission, Jacques Delors, to prepare a timetable and a plan for currency union. The result was a report, presented in April 1989, when no one in Bonn or Paris was thinking about any possibility of a profound geopolitical transformation of Europe, that laid the basis of the Maastricht Treaty negotiated in 1991 (James 2012).

Because the Treaty *was* negotiated in the aftermath of a seismic geopolitical shift, the result gave rise to highly influential—but completely wrong—theories that currently circulate about how and why the Euro was created that both inflame political passions but give no guidance at all on how to find solutions. Both focus obsessively on the politics of the German role in driving monetary union, so that it again appears that solving the German question is central to the future of Europe. Both are mirror images of each other: in one Germany appears as uniquely virtuous, in the other as terribly vicious. Looking at the real history of the Euro can clear up misconceptions, but also highlight the real problems that remain to be tackled.

In the first view—the virtuous German story—the currency union was a high-minded European political project that ignored economic realities. It was needed to stop the recurrence of war between France and Germany. Both proponents of the Euro project such as the veteran German Foreign Minister Hans-Dietrich Genscher but also opponents such as the economist Martin Feldstein have touted this theory. But it is implausible. Americans are perfectly aware that they haven't had a war with Canada or Mexico recently (although in the long past there were indeed such conflicts), and that they don't need a currency union to improve relations with neighbors.

Then there is the vicious view, a conspiracy theory about a deep-seated German masterplan. Some of its earliest proponents were British (like the

former UK Chancellor of the Exchequer Denis Healey), but now it is circulating widely in Southern Europe. Since Germany had lower rates of wage inflation than France and much lower rates than the Mediterranean countries, a locked currency would guarantee increased export surpluses, at the price of misery elsewhere. A German grasp for European economic primacy would succeed at the end of the twentieth century and in the new millennium where a similar German military plan had failed one century earlier.

This view seems as absurd as the first myth about peace and money. If this is what the Germans were aiming at, wouldn't other countries be able to get some whiff of the nefarious plot? And more importantly, if this were really a strategy, it is a shortsighted one (not really that much better than the disastrous Schlieffen Plan of 1914 to defeat both France and Russia at the same time). Plunging one's neighbors into national bankruptcy is not a good way of building any kind of stable prosperity.

For the critics, Germany's currency manipulation was a mercantilist strategy of securing permanent trade and current account surpluses, that would give Germany a commanding control of resources. In each phase of the negotiation about European monetary integration, Germany's partners in consequence tried to devise an institutional mechanism to control German surpluses, and believed that an institutional move to Europeanization would admirably do that job. Until 2009–10, when the global financial crisis reached Europe, the strategy seemed to be working, even though overall Europe was struggling to compete in a global economy.

The management by crisis approach leads to a perception that the broader rationale is being hidden; and that in turn produces suspicions that the crisis, when it arises, is being used instrumentally. The more the crisis management is combined with a mantra-like repetition of a general message of the "Europe brings peace" variety, the more skepticism swells up. The linkage between the assertion of the interests of the particular and the ritual invocation of the very general sometimes takes extreme forms. A fine instance was the insistence of Finance Minister Giulio Tremonti in the dying days of the Berlusconi government in 2011 that "If I fall, then Italy falls. If Italy falls, then so falls the Euro. It is a chain" (Financial Times 2011). Angela Merkel had offered another version of the same logic, to which Tremonti was clearly alluding, with her famous claim that "If the Euro fails, Europe fails." (Merkel, 2010). These statements inevitably invite the question: really?

V

The European drama of the last thirty years replays the European experience of nation-building in the nineteenth century. That should not be surprising in the light of the common origins of both political languages—origins that lie in the failed revolutions of 1848 with a turn to the politics of interests that could not be fully tied to a satisfactory and universal normative justification.

In 1862, Bismarck stated in his famous inaugural speech to the Budget Commission of the Prussian *Landtag*, a speech that deeply shocked the cautious King Wilhelm I of Prussia: “Germany is not looking to Prussia’s liberalism, but to its power; Bavaria, Württemberg, Baden may indulge liberalism, and yet no one will assign them Prussia’s role; Prussia has to coalesce and concentrate its power for the opportune moment, which has already been missed several times; Prussia’s borders according to the Vienna Treaties [of 1814–15] are not favorable for a healthy, vital state; it is not by speeches and majority resolutions that the great questions of the time are decided—that was the big mistake of 1848 and 1849—but by iron and blood” (Neugebauer 2006, 331).

In the age of modern democracies, the Bismarckian language looks extreme. Many modern politicians would not want to talk in this way. They usually specialize in, and survive by, not offending. But not all. In the aftermath of the Euro crisis, Bismarckian language has come back to Europe. Jean-Claude Juncker, the veteran Prime Minister of Luxembourg and chair of the Eurogroup of finance ministers, started 2013 by warning journalists that they should take note of the parallels with 1913, the last year of European peace (Juncker 2013). He was referring explicitly to new national animosities fanned by the European economic crisis, with a growing polarization between North and South. The most striking example of the new language of politics was provided during the debate on the first Greek rescue package. On May 19, 2010, Chancellor Angela Merkel told the German Bundestag that “the rules must not be oriented toward the weak, but toward the strong. That is a hard message. But it is an economic necessity. That must have consequences for the European Union” (Merkel 2010).⁷

⁷ Translated from the original: “Die Regeln dürfen sich nicht nach den Schwächsten richten, sondern sie müssen sich nach den Starken richten. Ich weiß, dass das eine harte Botschaft ist. Ökonomisch ist sie aber ein absolutes Muss. Sonst kämen wir vom Regen in die Traufe. Das wird auch Folgerungen für die Aufgaben der Europäischen Union insgesamt haben. Ich glaube, wir werden weniger Richtlinien über den Salzgehalt im Brot, die Umbenennung des Apfelweins oder die Obstverteilung in Schulen haben und uns mehr mit einer vernünftigen Infrastruktur, mit Forschungspolitik und der Zukunftsfähigkeit des europäischen Kontinents befassen.”

The argument was presented in terms of the need for Europeans to provide an appropriate response to financial crisis and to the challenges of globalization. Europe today is reviving the language of economic necessity and economic strength: and that is the language of Bismarckianism. It was the terminology in which the political response to the political, cultural and economic revolutions of 1848 was cast.

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Theoretical and Historical Reflections on Economic Nationalism in Germany and the United States in the Nineteenth and Early Twentieth Centuries

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“In many cases the love for one’s fatherland is just like the love of the donkey for its stable,” the eighteenth century Swiss philosopher Johann Georg Zimmermann wrote in his book *Vom Nationalstolze* (On National Pride) in 1768 (Zimmermann 1780, 147). What sounds like an early definition of nationalism makes historians ask a number of questions: What makes a donkey a donkey and does he perceive himself as a donkey? What does the imagined community of the donkeys look like? What is the border of the stable? Is it the gate or is it the fence outside? And from whom is he separated by the stable? Is it still a “proto-stable” or is it already a modern stable? In any case, it is a construct. One might be tempted to accept the image of the donkey and its stable as a definition of economic nationalism: the stable called “fatherland” supplies the donkey with all necessities. But this definition would be too functional.

Max Weber was probably the first who prominently used a version of the term “economic nationalism.” His ideas and demands were not new, but many of his listeners were shocked by the radicalism the young Weber expressed in his famous Freiburg Inaugural Lecture on “The Nation-State and Economic Policy” in 1895: “We economic nationalists [*ökonomische Nationalisten*],” Weber argued, considered the nation-state, its interests and power as supreme. Economic policy, he maintained, is “a servant of . . . the enduring power-political interests of the nation.” It shall help to conquer enough “elbow-room” for the future generations in the Social Darwinist “*economic* struggle for existence.” That is why the “economic policy of a German state, and, equally, the criterion of value used by a German economic theorist, can therefore only be a German policy or criterion” (Weber 1994, 15–16; 20–21).

Weber was not the only one who argued in this way at the time to be sure—similar arguments were present in Germany, the United States, and other countries—but he was the only one to use the term “economic nationalist.”

“Economic nationalism” has been widely used since the late 1920s by economists, political scientists, and sociologists—without reference to Weber—to describe a policy of high tariffs and import restrictions and later an aggressive policy of autarky by Nazi Germany and other countries following the Great Depression. In the second half of the twentieth century, “economic nationalism” has been fruitfully applied to analyze the economic and political development of new and developing nations. It however has been defined quite differently and often rather carelessly, especially regarding the distinction of means and aims.

For many scholars, economic nationalism is identical with mercantilism or is the economic equivalent of political nationalism. Stephen Neff described mercantilism as “economic nationalism of the most forthright and aggressive sort” (Neff 1990, 20). What at first sight seems to be quite reasonable regarding the numerous similarities in the means of economic policy, confuses political-economic means with goals and ideology. Mercantilism was the economic policy of the absolutist European states from the sixteenth to the eighteenth centuries. It was characterized by the endeavor to accumulate bullion, by trade restrictions in order to have a positive balance of trade, by encouragement of manufactures, by interest in the increase of the population, and by attempts to centralize the economy. Economic and military power as well as the accumulation of wealth and state-building are regarded as the main goals of mercantilist policy (Heckscher 1936/1937). The fact that many of those states later became nation-states was however not a necessary result of mercantilism. Indicating the central problem of equating mercantilism with economic nationalism, J. G. Hodgson argues that “Essentially the Mercantilist theory was strictly nationalistic, for all that the deep feeling of nationalism which we know today had not appeared, and was therefore the first conscious expression of economic nationalism” (Hodgson 1933, 50). Nationalism and mercantilism are phenomena of different eras. Therefore it makes no sense to write a history of economic nationalism from antiquity to the present. In mercantilism, the state was central, but it was represented by the ruler whose wealth and power should be increased, not by a sovereign people.

Similarly questionable is the term “neomercantilism,” which is often used synonymously with economic nationalism for the late nineteenth century. The identification of protectionism and economic nationalism must be rejected for the same reasons. Protectionism—a policy of trade restrictions generally including high tariffs—is usually part of the repertoire of economic nationalists but does not have to be introduced for nationalistic reasons. This misinterpretation is based on the evaluation, originating in the early nineteenth century, that the free trade doctrine is principally cosmopolitan, while protectionism is nationalistic. It has increasingly come

under attack and been modified to some extent. The alleged value-free and objective quality of free trade has been refuted. It has been exposed as the strategy of the economically leading nations—in some cases a type of economic nationalism. Also, the sharp distinction between classical economic theory and mercantilism has been questioned while connections have been emphasized. In the eyes of Joan Robinson the free trade doctrine is “a more subtle form of mercantilism” that is believed only by those who gain from it (Robinson 1964, 24). The ongoing revisionism does not even spare the stylite of the free traders, Adam Smith. The important exceptions to the rule of free trade in his theory are emphasized as well as the fact that Smith recognized the crucial function of the state in the establishment of the market society. Jutta Hosfeld-Guber claims that free traders cannot base their ideas on him. For her the free trade doctrine is a “missionary vulgarization of Smith’s theory” (Hosfeld-Guber 1985, 75). Others call Smith an economic nationalist since his main work, *The Wealth of Nations*, describes an economic system that was in the interest of Great Britain.

Rightly so, the construction of the nation as an “imagined community” (Anderson 1983) and as an “imagined order” (Lepsius 1990, 232) that can be filled in quite different ways has been stressed. Also, a correlation between nationalism and modernization, the crises of modernization or, better, of partial and uneven modernization has been put forward. For the German historian Otto Dann, nationalism is always the consequence of changes related to modernization. It can act as a means of coping with or as a means of fostering modernization (Dann 1978). Many scholars have followed Alexander Gerschenkron’s idea that nationalism acted as an ideology of industrialization to overcome relative backwardness (Gerschenkron 1952). For Gunnar Myrdal it therefore is a rather rational policy pursued by backward nations, whose aim is the economic independence of other nations to be realized by a policy of national self-sufficiency (Myrdal 1971, 68). In that sense, it can be regarded as a kind of developmental nationalism latecomers are forced to use.

Already in 1827, Friedrich List correctly noted: “The idea of a national economy came into being at the same times as the idea of nations” (List 1931, 104). The formation of nation-states also set in motion the debate on the “economic nation,” an imagined (economic) community, its external borders and its internal development. Just like a nation, a political economy is an artificial drawing up of a border. It creates a national market, which is not necessarily the closest and might even cut off more “natural” ones. The economic borders do not follow a market logic but a national logic which nationalizes economic interests and economic policy. Like nationalism, economic nationalism is a modern phenomenon. Using the definition of nationalism of the German sociologist M. Rainer Lepsius, who defines it as thinking and acting regarding the imagined order “nation” (Lepsius 1990,

232), economic nationalism, accordingly, can be defined as thinking and acting regarding the idea of a nation as an economic unit.

Even though Weber did not use it as an analytical concept, the central elements of economic nationalist thinking are included in his Freiburg lecture: (1) the national primacy is on politics and power: economic policy is a means to achieve or protect national independence and power; and (2) there is a fundamental clash of interests between nations. But while the resurgence of nationalism has been a major topic in the social sciences and in the humanities since the end of the Cold War, the economic side of nationalism has been neglected. By excluding “economics”—understood in a very broad sense—scholars, however, miss a central element of nationalism and nationalist ideology.

In the following discussion, some aspects of economic nationalism in Germany and the United States during the long nineteenth century shall be highlighted. Two long phases can be distinguished. The wars for “unification” in the 1860s and 1870s—the American Civil War from 1861–65, and the wars for German unification which led to the founding of the German Empire in 1871—are an important dividing line between distinct phases.

Phase I. Economic Nationalism as a Developmental and Unifying Program

Despite major differences in political and legal systems, size of territory, and economic foundations, the discourses on the nation and the national economy in Germany (which, until 1871, meant the German Confederation, including Austria) and the United States show many similarities. In both cases the starting point was the diagnosis of a supposed backwardness regarding Great Britain’s economic power. The surprisingly similar assessments and actions suggested by the economic nationalists in Germany and the United States were intended to speed up the formation of their respective nation-states and to channel this process properly, as in the United States, or to make it possible and permanent, as in Germany. With often identical metaphors they argued for a national community of interests that would bind the nation as strong as, or even stronger than, political ideas, values, common language, and culture. Proponents of protectionism and supporters of free trade believed that communication in all its different forms, including trade, could end prejudice, harmonize different interests, and unite peoples. But while the latter group argued that this was true internationally, economic nationalists claimed this could only work on the national level (Etges 1999a).

The classic document of economic nationalism and a kind of blueprint for the development of a national economy is the “Report on the Subject of

Manufactures,” written in 1791 by the first secretary of the treasury of the United States, Alexander Hamilton, in collaboration with his deputy Tench Coxe (Hamilton 1964). By the late eighteenth century, there was a widespread fear in the United States that the American ideals, written down in the Constitution, were not sufficient to keep the states united. Therefore it was necessary to create a “union bound by interest.” Hamilton and Coxe addressed those fears. For them, economic policy was an instrument of national power and independence, a means to safeguard national unification. Intensified communication and trade would create an even closer and more durable community of interests, they believed. Both questioned the validity of classical theory for the United States. Starting from an analysis of American economic backwardness regarding England, they designed a developmental program to be instituted by the federal government. This included the founding of a national bank, the development of a national market, as well as bounties and protective tariffs for new industries—the famous “infant-industry argument.”

Even though Hamilton’s program was not implemented at first, its ideas proved very influential in the long run. Some were picked up by one of his successors as secretary of the treasury, Albert Gallatin, who designed a ten-year plan to build roads and canals, as well as promote manufactures. In the mid-1820s, the early debate about a national economic policy reached a climax in the arguments over the so-called “American System,” a set of bills combining tariff protection, encouragement of manufactures and promotion of internal improvements which were introduced by Senator Henry Clay (Etges 1999b).

In the German states, the founding of the *Deutscher Zollverein*, the German Customs Union, in 1834 was of crucial importance. Since the German Confederation increasingly disappointed the hopes of liberals and nationalists, the focus turned to the Zollverein. Originally created for fiscal reasons, the complicated network of interstate trade agreements was soon deemed a first step toward German unification, or even an ersatz for missing political unity. The way to political unity, more and more people believed in the 1840s, was through the extension of the Zollverein into a German union. One could argue that the bourgeoisie in Germany had a “natural” interest in a larger home market and used nationalist propaganda accordingly. But the plea for a national economy was accompanied by demands for political unity and freedom, which made the economic nationalists part of the democratic opposition (Etges 2012).

List’s *National System of Political Economy* of 1841 is probably the most important German work of economic nationalism (List 1982). List, who had spent several years in the United States and had been heavily influenced by the writings of Hamilton and others (Etges 1997), devised a national developmental program for the states of the German Confederation

aiming to enable the backward German nation to equal the political and economic level of the United Kingdom. Well-directed internal improvements (List was a major promoter of German railroads), support of new industries, as well as a strong home market temporarily protected by tariffs, were supposed to unite the German states into a strong and independent nation. A few years after its publication, List's *National System*, which has been called the "classical work of a rationally arguing developmental nationalism" (Senghaas 1992, 29) was translated into several languages and has arguably been the most influential book in this field in the nineteenth and twentieth centuries.

Hamilton and List did accept the basic truth of classical economic theory, but they questioned its applicability to a "new" and "backward" nation. Their skepticism was reflected by a large number of economists and politicians in their respective countries in the first part of the nineteenth century. However, as Ernest Renan wrote, "a *Zollverein* is not a *patrie*" (Renan 1882). The hopes of the economic nationalists in both countries were not fulfilled. Economic nationalism proved to be both a uniting and a dividing force. It took wars to finally decide the question of who belonged to the respective nation and what its borders were: the Civil War in the United States and the Wars of Unification in Germany.

Phase II. Economic Nationalism in Germany and the United States in the Late Nineteenth and Early Twentieth Centuries

After the wars, economic nationalism changed in fundamental ways. The territorial integrity of both nations had been established by force, and the emphasis shifted from internal developments to international competition, from unity to a struggle for survival in the world markets, from protecting home markets to invading and conquering foreign markets. Trade policy, one of the main means of state intervention in those years, and especially tariffs, played a prominent role. One reason was that tariffs provided an important source of revenue for governments. But they also became a major battleground for political parties, lobby groups, journalists, economists, and also the many people in both countries, including industrial workers and farmers, who wrote and signed innumerable petitions (Etges 1999a, 251–372).

1. The starting point for economic nationalists in both countries remained the idea that the world was divided into nations with diverging interests. Now, however, the focus moved away from domestic developments and a diagnosed backwardness to an international competition of nation-states. The rhetoric became more militant. Instead of using the infant-industry argument, tariffs were now justified to protect a home market

“in the warfare between industrial nations” as William Kelley, Republican Congressman from Pennsylvania, put it (Kelley 1888, 587). At the same time, the home market was seen as the base from which to conquer foreign markets. Brooks Adams spoke of “war as the ultimate form of economic competition.” Tariff walls, tariff cannons, tariff fortresses should protect against invading armies of products (Adams 1903). “Hold the Fort!” the American Iron and Steel Association demanded (American Iron and Steel Association 1876).

In the late nineteenth century, some proponents of protective tariffs showed a little more flexibility, and both Chancellor Leo von Caprivi in Germany and President William McKinley in the United States supported reciprocity treaties in addition to protective tariffs. McKinley’s successor Theodore Roosevelt left no doubt about his opinion: reciprocity, he argued, was “the handmaiden of protection” (Roosevelt 1917, 6652). The Republican Party Platform in 1896 had described protection and reciprocity as “twin measures of American policy . . . Protection for what we produce; free admission for the necessities of life which we do not produce; reciprocal agreement of mutual interests, which gain open markets for us in return for our open markets for others” (Republican Party Platform 1896, 107).

2. In numerous ways, the debate about tariffs and trade policy in both countries cannot be separated from debates about empires and imperial policies, naval competition, etc. The fact that Germany and the United States were relative latecomers in this regard might help explain why some of the statements seem hysterical. The international economic competition was heavily clad in Social Darwinist terms. Brooke Adams spoke of “The New Struggle for Life among Nations,” the German H. Boettger in a mix of English and German of a “Struggle for life *auf dem Weltmarkte*” (Boettger 1901, 59). Max Weber, as quoted above, described it as an “*economic struggle for existence*.”

Gustav Schmoller, arguably the most prominent representative of the German Historical School of Economics and a leading member of the *Verein für Socialpolitik* (Social Policy Association), declared at the association’s meeting in 1879 that even though he was not a protectionist by principle, he now demanded the protection of Germany’s national industries which were fighting hard against international competition. In order to rise, nations which wanted to be solidly economically united against the outside world, needed to be guided by “a tough, vigorous, relentless, national egoism” (Schmoller 1879, 19–20).

3. Anglophobia in the economic sector was probably stronger in the United States, while in Germany the military competition with Great Britain became more important in the early twentieth century. America’s main opponent remained Great Britain, even though many were convinced that sooner or later the United States would become the leading economic and

military power. Anglophobia could be used in two ways: against *British free trade* and against its domestic allies who supposedly were supported and partly financed by groups like the “Cobden Club” which had been founded in 1886 to promote the idea of free trade. Ironically, around 1900, though, America’s growing economic strength led to a kind of Yankeeophobia and worries on the European continent about the “*amerikanische Gefahr*” (American peril). While Hugo von Knebel Doeberitz and Thomas Lenschau were convinced that there was a real danger for Germany (Lenschau 1902; Doeberitz 1904), others like M. Prager and Ludwig Max Goldberger strongly rejected this idea (Prager 1902; Goldberger 1903).

4. Economic nationalism was increasingly organized. In the United States lobby groups like the “Industrial League of America,” the “American Protective Tariff League,” or the “Home Market Club” were closely linked with the Republican Party and business groups. The latter, founded in 1887, used the motto “American Wages for American Workmen; American Markets for the American People; Protection for American Homes.”

5. Economic nationalists were quite successful in equating protective policies with patriotism and nationalism. They took account of public worries, warned of the dangers of foreign economic powers and their cheap labor (pauper labor), and demanded a tariff policy to protect the United States. A statement by Congressman Joseph D. Taylor, a Republican from Ohio, delivered in 1888 includes most elements of economic nationalist thinking: “The protection of American industries is not a mere policy, a mere business question; it is a question of patriotism, a question of loyalty to the American flag, to the American laborer, and to the American home. It is a choice between self-defense and self-development on the one hand, and self-annihilation and self-destruction on the other. . . . The protective system stands as a wall of fire between American laborers and the degraded, half-paid laborers of Europe” (Taylor 1888, 3837). Nearly identical arguments can be found in Germany (e.g. Lohren 1880; Wernicke 1896).

6. Even those promoting free trade and lower tariffs increasingly thought in terms of nations and nation-states as the natural unit of economic policies. While in Germany at times both sides tried to justify their positions from a nationalistic point of view, American proponents of free trade seldom took on the protective interests with national rhetoric of their own. They defended (low) tariffs mostly as a means to get revenues (“a tariff for revenue only”), and they rightly argued that “protection of national industry and labor” did not protect all national interests equally, and was promoted by vested interests. But they underestimated the power of nationalism, which helps explain why the economic nationalists were so successful for several decades. “*Deutschland für die Deutschen*” and “America for Americans,” “*Schutz der nationalen Arbeit*” and “Protection of National Industry and Labor” were more than slogans of organized industrial

lobby groups. They encompassed the wishes and demands of different social groups, possibly even a majority of workers and farmers in both countries who also reminded their respective governments and politicians of their duty to protect their citizens, their jobs, and their investments. The more cosmopolitan and defensive arguments of the proponents of free trade could often easily be attacked as driven by narrow interests, and their economic theory seemed to be just that: theory, not based on real world experiences.

7. Modern nation-states like Germany and the United States had to legitimize their existence in part by proving their economic capabilities. Being part of a community of interests called "nation" had to be beneficial both materially and ideally. That was especially true in times of crises like economic depressions. Numerous petitions and pamphlets regarding trade policies and tariffs are indicators of a political mass market that involved lobby groups, but also workers and farmers. Besides pecuniary gains economic nationalism brings what Harry G. Johnson and Jerzy Karcz called a "psychic income" (Johnson 1967; Karcz 1971, 235).

Alan Milward is right in pointing out that tariffs should not just be seen as just the result of conservative political lobbying in favor of vested interests. In his opinion, protectionism in Germany in the late nineteenth century should be analyzed as "a set of stages in the widening participation of different groups in the body politic . . . a progression in democratic political participation. . . . The imperfect mechanisms of incomplete democracies made the tariff books seem as important an expression of the political balance of the nation as the constitution. They represented written compromises on real tests of political as well as economic strength. . . . The tariff was a visible expression of national unity and as that unity increasingly had to include deeper strata in the nation the tariff became the instrument of their inclusion" (1981, 65). Describing tariffs as "constitutions," as he does, goes too far though.

Conclusion

A purely interest-oriented theory of economic nationalism that views it just as an ideology of the economic interest groups is bound to fail. The relationship of the donkey and the stable is much more complicated than it seems and goes far beyond fodder and accommodation. Even though protectionism is a frequent means of economic nationalism, the two are not identical. Economic nationalism as the thinking and acting with regard to the idea of a nation as an economic unit can be a "defensive" developmental ideology of new and backward nations, a "social" protection of national labor and agriculture, and an ideology to justify certain producer interests,

an “offensive” weapon in trade wars, but can also be expressed in free trade demands—when this is in the best interest of a highly advanced nation-state. Throughout the period covered, politics and the nation were economized and economics was nationalized. Modern nation-states must prove that they are ready to fight for the interests of their citizens. That is especially true in times of crisis.

In the twentieth century, a policy of economic nationalism has often been a central characteristic of developing states. Like their predecessors a hundred years before, these countries argue that the guidelines of classical economic theory must be modified according to the specific conditions and the stage of development in their respective nations. And again, it is impossible to separate the economic elements from the ideological ones. In many respects nationalism functioned as a developmental ideology.

Like the imagined community of the nation, the imagined economic order is Janus-faced. And like nationalism in general, economic nationalism is not just “good” or “bad.” It can be a “defensive” ideology of new and backward nations, as well as a justification ideology of certain producer interests or an “offensive” weapon in trade wars. Besides the political and the cultural level, the economic must be recognized as a third level in the process of nation-building. It is not necessarily the most important one and will always be influenced by the other two levels, but it would also be a mistake to consider them with complete disregard for the economic level.

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Land Regimes in Nation-Building Processes and Nation-States: The Case of Israel in Comparative Perspective

Jacob Metzger

Nationalism is typically fed by various collective attributes, such as language, culture, history, myths, and traditions. These are mostly grounded in, and shaped by, the territorial habitat of the people concerned and become identifying characteristics of the modern nation-state, as well illustrated by the political theorist David Miller:

The people who inhabit a certain territory form a political community. Through custom and practice as well as by explicit political decision they create laws, establish individual or collective property rights, engage in public works, and shape the physical appearance of the territory. Over time this takes on symbolic significance as they bury their dead in certain places, establish shrines or secular monuments and so forth. All of these activities give them an attachment to the land that cannot be matched by any rival claimants. This in turn justifies their claim to exercise continuing political authority over that territory. (Miller 1998, 68)

This account highlights the central place that the political and cultural attributes of *territory* have occupied in the existing literature on nationalism. But instrumental as these attributes are in identifying the nation as a territorial body politic, the economic dimensions of the nation's territory, although having received so far only limited attention in the literature, are important enough to deserve concerned treatment.¹ My paper aims to do exactly that. In examining the role of land in Jewish nation-building (prior to and following Israel's statehood) and comparatively looking at other nation-states, this paper seeks to illuminate the perception of land by territorial nations and its implications for the nature of land regimes, property rights in land, and territorial sovereignty.

A useful departure point for the discussion is provided by the typology offered by the political scientist Jacob Levy (2000). He distinguishes be-

¹ These issues have been indirectly dealt with by political philosophers while addressing the issue of secession; see for example Buchanan (1991) and Miller (1998).

tween the nationalist perception of land (which includes the attitudes toward land in indigenous ethno-national civilizations) and the liberal approach. In nationalist thinking, land is perceived as *place*—a homeland belonging to the nation (or to the people, ethnically or otherwise defined) from which no part could be taken away. An element of sanctity is often attached to the national territory, and a special value is placed on its being tilled by nationals. The nationalist conceptualization of land as *place* leads naturally to its inalienability, and to eliding, or at least blurring, the distinction between territorial sovereignty and land ownership.

In the liberal approach, on the other hand, land is regarded as fungible and alienable *property* rather than *place*. As such it embraces a clear distinction between sovereignty and ownership, articulated by David Miller who asserts that:

When we say that Iceland belongs to the Icelanders (to take a simple case), we do not mean that they own it as territory: we mean that they have a legitimate claim to exercise authority over Iceland, to determine what happens in that island, including what individual property rights there are going to be. (If they were to decide to leave it as common land, that would be their prerogative.) (Miller 1998, 68)

The political philosopher Allen Buchanan expresses the same idea in slightly different terms (which deserve quoting at some length) as follows:

At least under modern conditions, the relationship between the state and its territory is *not* the same as that between a person and the land which is her private property. It may be true that in earlier periods of history a ruler or ruling family was thought to own the territory of the state, to possess it as a piece of private property. But modern states, whether socialist or capitalistic, are not conceived of in this way. This is perhaps clearest in states where private citizens own land; they, not the state, are the property holders. But even where there is virtually no private property in land, the official rationale, at least, is that the state holds and administers the land and the resources it contains, and defends the borders *for the people*, that is, the citizens collectively. Thus the relationship between the state and “its” territory is that between an agent and the principal that authorizes the agent to perform certain functions on the principal’s behalf. . . . [T]erritorial sovereignty signifies not a property right ascribed directly to the state but, rather, a complex relationship among the state (the agent), the territory, and the people (the principal). To talk about the state’s territory in the territorial sovereignty sense . . . is to say that the state is authorized to exercise certain limited forms of control over the citizen’s private property . . . and to control the borders surrounding it. (Buchanan 1991, 108–9)

The distinction between sovereignty and land ownership, as articulated by Miller and Buchanan and sketched by Levy’s discussions of the liberal ap-

proach to land, allows obviously for the separation of the designed land regimes and property rights in land by nation-states from their considerations of territorial sovereignty. In the nationalist approach, these are inseparable from one another, as demonstrated in the next section by the Jewish-Israeli story that can be viewed as a paradigmatic case of an ethno-nationalist perception of land.

I

The Jewish national build-up in Palestine-Israel was, undoubtedly, a distinct phenomenon of nation-building in the modern era. Unlike the typical evolutionary process described by David Miller, in which a territorially based ethno-national community turns its continuously inhabited homeland into a nation-state, the Jewish body politic in Palestine was created by diaspora-originated Jewish settlers, realizing the Zionist vision of returning to their ancestral homeland. The success of Zionism in its territorial choice was, to use Anthony Smith's language, "in large measure, due exactly to the fact that the ancient conceptions of the holy land and chosen people had retained their popular resonance through encoded collective memories, symbolism and ritual, and the generational repetition of collective aspirations." This enabled Zionism to translate "into secular terminology the shared memories and myths and the inner religious yearning of Jews everywhere for a return to Zion in a sovereign state" (Smith 1995, 16–17).

Moreover, the historic, religious, and cultural links of the Jewish people to the ancient land of Israel led them to regard themselves as natives of the land to which they returned, thereby distinguishing their settlement in Palestine, perception-wise, from the European-origin settler societies, which in the eighteenth and nineteenth centuries turned into the States of "New-Europe" (Metzer 2013). The distinctiveness of the Jewish story, however, serves us well in this paper because it presents a case in which land played a crucial role in the formation of a nationalist agenda, with a land regime purposely designed to facilitate its realization.

The question of land acquisition for Jewish settlement in Palestine and the nature of land property rights were put on the agenda of modern Jewish nationalism from the very early days of Zionist thinking in the late nineteenth and early twentieth centuries. It should be noted though that as distinct as the Zionist project may have been, its planners were largely inspired by another endeavor that they observed at the time. This was the German effort starting in the 1880s to turn the ethno-demographic mix of the "Polish Provinces," annexed to Prussia in the 1795 Partition of Poland, in favor of ethnic Germans (Reichman and Hasson 1984; Shilony 1989; Eddie 2004; Metzer 2004).

Motivated by the objective to Germanize those provinces—particularly the province of Poznan where ethnic Germans constituted only 40 percent of the population in 1890 (Eddie 2004, 57)—the Prussian Diet enacted the Colonization Law in 1886, establishing the “Royal Prussian Settlement Commission in the Provinces of West Prussia and Poznan.” The Commission’s mandate was to buy large landed estates from their Polish owners, subdivide them into small family farms that would not need hired (that in most cases meant Polish) labor, and economically incentivize German farmers from outside the region to settle and operate those farms. While the actual achievements of this settlement scheme were rather modest, its basic feature of making market transactions in land a vehicle for the promotion of ethno-national goals provided the Zionist practitioners of the late Ottoman era an inspirational model to follow.

The first practical steps taken by the Zionist Organization in the land and settlement arena were the creation of three organs. In 1901, the Jewish National Fund (JNF) was created as the official financial organ of the Zionist Organization whose prime task was to acquire land in Palestine and retain it in perpetuity for the promotion of Jewish settlement. In 1908, the Palestine Bureau of the Zionist Organization and the Palestine Land Development Company (PLDC)—partly owned by the JNF—were established under the leadership of the Zionist activist Arthur Ruppin. Their objectives were to plan and facilitate, in cooperation with the JNF, the Zionist-sponsored work of land acquisition and Jewish settlement in Palestine. Both Ruppin and Otto Warburg, who chaired the Zionist Executive Committee and the PLDC in the late 1900s, referred explicitly in their correspondence to the ethno-nationally motivated Prussian colonization methods in Poznan as the model to imitate in pursuing the nationally induced Jewish colonization in Palestine (Reichmen and Hasson 1984).

The establishment of British rule in Palestine at the end of the First World War—on the background of the Balfour Declaration, which favored the creation of a Jewish National Home in Palestine while avoiding the infringement of the civil and religious rights of the country’s non-Jewish inhabitants—required the Zionist Organization to clarify its position on the land issue under the new circumstances. The challenge was taken up in the London Conference of the Organization which was convened in July 1920 to plan for the advancement of the Zionist settlement project (Metzer 2004).

The question of land acquisition and tenure occupied a prominent place among the intensely deliberated issues at the conference, and was concluded in several resolutions that became the cornerstone of Zionist (and later Israeli) land policy for years to come. The two most meaningful resolutions on land read as follows:

1. The fundamental principle of Zionist land policy is that all land on which colonization takes place should eventually become the common property of the Jewish people. The [Zionist] executive is called upon to do all in its power to carry this principle into effect.
2. The organ for carrying out Jewish land policy in town and country is the JNF. The objects of this body are: To use the voluntary contributions received from the Jewish people as a means for making the land of Palestine the common property of the Jewish people; to give out the land exclusively on hereditary lease hold and on hereditary building-right. (Reports 1921)

These resolutions served as a clear statement of the principle of Jewish land inalienability based on collective ownership, not only of the lands acquired by the JNF, but of all Jewish-possessed land in Palestine. The idea of common property rights in land as an ethno-national directive reflected the notion that land ownership by the Jewish people at large, as a national collective—and not just by individual Jews—was necessary to secure the formation of a Jewish territorial body politic in Palestine. Such collective ownership was to serve simultaneously as a precondition for future Jewish territorial sovereignty and as a substitute for that sovereignty under the British rule.

Applying the concept of collective land ownership and its inalienability (which in practice involved only land possessed by the JNF), to the scene of contemporary Palestine, implied an asymmetric approach to the land market. On the one hand, Zionism sought to exploit a relatively free land market (under Ottoman and British rules alike) in order to purchase non-Jewish (primarily Arab owned) land. And on the other hand, it aimed to prevent the resale of land to non-Jews by “nationalizing” it, thereby causing the land transactions “across ethno-national lines” to be uni-directional. It is precisely this type of transaction that constituted the essence of what was defined in Zionist terminology as the “redemption” of the land of Israel.

The JNF possessed by the end of the British Mandate about 50 percent of all the Jewish lands in Palestine. Those lands accounted for about 11 percent of the country’s total non-desert territory (Metzer 2004, 94). Officially the JNF was prohibited by the Zionist charter from alienating its landed property, and would only allot plots of land to Jewish settlers in hereditary leasehold. Following the creation of the State of Israel, the 1948 Arab-Israeli War and its demographic consequences, the Israeli government became the dominant landholder in the country, controlling directly about 17 million dunams that constituted 87 percent of the total area of the state. About a quarter of these holdings (4.2 million dunams at least) were abandoned Arab lands, of which more than a half (2.4 million dunams to be exact) were sold by the Israeli government to the JNF in 1949 and 1950 (Metzer 2004, 96).

These massive changes raised a central question, namely, what should be the function of collective land possession—if at all required—once statehood had been established? This question was vigorously debated in the Israeli Parliament (the Knesset) and in other public forums for more than a decade. Underlying the debates was the need to determine whether the newly born state should remain committed to the pre-state Zionist directive to keep the land as inalienable collective property and retain the Jewish-specific functions of the JNF under the law. Or, alternatively, whether to treat the land as a possible alienable and fungible asset.²

The first confrontation between the two views took place as early as November 1949, when the government deliberated the draft proposal of the *Transfer of Property Law*, which aimed at regulating the status of the Arab-abandoned lands still held by the state after the first chunk of which had been sold to the JNF. David Ben-Gurion, Israel's founding prime minister, supported, not surprisingly in view of his étatist attitudes, a clause that was initially included in the proposed law, one which allowed the state to sell those lands (or any other state held land for that matter) without any strings attached. Ben-Gurion defended his position on the grounds that the sovereignty of the state is absolute and does not require governmental or otherwise collective land ownership to be realized. He remained, however, in a minority position of one within the government, which voted down the said clause, and made him give up any further attempts to move the Israeli land regime from the ethnic-nationalist approach of land inalienability to the liberal market-oriented direction. Similar positions presented by the center-right parties—claiming that once territorial sovereignty of the State had been established, the ethno-national identity of landowners became immaterial—were likewise defeated in the Knesset.

This outcome paved the way for the nationalization of land in subsequent acts of legislation which adopted the JNF model in formulating Israel's land regime. The arguments raised by the victorious parliamentary majority of the center-left and religious parties were mainly based on national-religious ideology of the sanctity of the Jewish homeland, with its belonging to God being replaced with ownership by the Jewish state, and as far as the JNF lands were concerned, by the ownership of the Jewish people, however defined. Apart from that, the prevailing attitudes may have reflected adherence to the potent Zionist legacy from the pre-state era, which involved equity considerations aimed at avoiding the concentration of private land ownership. In addition, sectoral interests such as those of the agricultural cooperative settlements who benefited from the extremely generous terms of their leaseholds of JNF and State lands may also have

² The following discussion draws on Katz (2002) in which the debates and their resolutions were documented in detail.

played a role in securing the parliamentary majority. The end result of the legislative process concerning the Israeli land regime, which culminated in the 1960 package of the *Basic Law: Israel Lands* and the *Israel Land Administration Law*, was the nationalization of 93 percent of the state's landed terrain which was defined as "Israel Lands." 83 percent of those lands were owned by the state and 17 percent by the JNF. All the "Israel Lands" were to be administered by the new governmental authority, the Israel Land Administration (the ILA) that was authorized to make its landed property available for productive or residential use in the form of leasehold only.

A significant factor in the newly designed land regime was the special place left for the JNF. The fund, which was reinstated by the *Jewish National Fund Law* of 1953 as a company registered in Israel, remained committed, by governmental approval, to the goal of settling Jewish lessees on its lands. Based on this goal and on the Israel Lands legislation of 1960, a formal—and truly power-sharing, and in some senses even sovereignty-sharing—covenant was signed between the State of Israel and the JNF in 1961. It stipulated that the ILA would handle and lease the JNF lands according to the Fund's directives of settling (only) Jews on its property, and made the JNF a full partner in the ILA governing body.

These arrangements implied essentially that the rules concerning the utilization and possession of no less than a third of Israel's non-desert land were to be determined not by the state but by an external body, an outcome that made a dent, albeit with the State's consent, in the completeness of its territorial sovereignty. Moreover, since the external body in question—the JNF—practiced discrimination on an ethno-national basis, the accommodation of its lands and policies by the ILA could be regarded incompatible with the equality principle embodied in Israel's declaration of independence.

Likewise, the *World Zionist Organization-Jewish Agency Status Law*, enacted in November 1952, granted the Jewish (pre-state) National Institutions³ a formal status as non-state institutions statutorily responsible for handling Jewish immigration, absorption, and settlement in Israel. This enabled the Jewish Agency (in addition to the JNF) to openly pursue Jewish-specific tasks within the State of Israel, including settling only Jews on land which it leased from the state (Metzer 2004).

³ The National Institutions included three organs. One was the Jewish Agency, which was instituted by the World Zionist Organization in 1929 as the official Jewish body to promote the establishment of the Jewish National Home in Mandatory Palestine and served as kind of a quasi-governing body for the autonomous Jewish community in Palestine. The second organ was the Foundation Fund, established in 1920 as the major fund-raising body of the Zionist Organization for all matters except for the acquisition of land. The third organ was the JNF.

Concerning the land issue from a nationalist view point, Yosef Weitz, who headed the Land Department of the JNF and was nominated to be the first Director of the ILA, remarked in 1949 that: "Certain circles within the Hebrew public are of the opinion that since the State of Israel was created, the entire country belongs to it anyway and thus the land problem became resolved by itself—the land was redeemed." But, he was quick to add that "since all the citizens of the state hold the same right to government land, everything the government does with this land, it is obliged to do in such a way that will benefit the Jews and the Arabs alike." (Weitz 1950, 143–45)⁴

While recognizing the incompatibility of the JNF discrimination of land allocation by ethno-nationality with the equality principle embodied in Israel's declaration of independence, Weitz drew from this dilemma the conclusion that it was necessary for the JNF to continue to acquire land even under statehood and turn it into Jewish land to be handled according to its ethno-national principles. This directive was actually implemented by the State when it sold 2.4 million dunams of abandoned Arab land to the JNF in 1949/50. In other words, the overt obligation of the state to treat all its citizens equally was regarded by Weitz, not as a constraint on the role of the JNF and its Jewish-specific functions in Israel's land regime, but as a justification for it. This approach reflected a wide consensus within the Knesset and the Jewish public, and was fully embodied in the State's land regime as demonstrated by the land legislation and by the State-JNF covenant which I have already alluded to.

In practical terms the public domain (composed of state lands including those which were leased to the Jewish Agency and of the JNF-owned lands) provided the state with an effective means for executing its policy of (Jewish) population dispersion. Particularly noticeable in the ethno-national context were the government efforts to settle Jews in internal regions populated mainly by Arabs (primarily in the Galilee) which were considered a "national" objective. These efforts resemble quite closely the German policies of internal colonization by ethnic Germans in Prussian Poland that were discussed above, as well as other instances of internal settlements aimed at strengthening the control of nation-states over ethno-nationally mixed, or relatively uninhabited, areas within their borders; take for example the Russian settled expansion into Siberia, Central Asia, and the Far East in the nineteenth and twentieth centuries (Lloyd and Metzger 2013).

The "Judaization of the Galilee" became an explicit policy that aimed to prevent the crystallization of Arab regional enclaves as a basis for possible ethno-national aspirations concerning their status within the state. At the time, this policy justified (in the eyes of the government and public opinion) even the use of dubious and disputable means of Arab land expropria-

⁴ Translated from the Hebrew source.

tion (Metzer 2003). Yet, expropriation of private Arab land stopped, for all practical purposes, in the mid-1970s. A potentially fundamental turning point in the nature of land rights in Israel (within the green line) was reached only in 2000 with a landmark ruling by the High Court of Justice, disallowing ethno-national distinction of leasehold rights on Israel's state lands. The ruling was given in response to a petition by an Arab married couple who was denied permission to build their home in Katzir, a Jewish communal settlement in Northern Israel that was established in 1982 by the Jewish Agency on state land that it received from the ILA in leasehold.

While the part of the ruling prohibiting ethno-national or any other discrimination in allotting state land was not surprising, the truly novel, or even "revolutionary" part of the ruling can be seen in its following segment:

Where one may not discriminate directly, one may not discriminate indirectly. If the State, through its own actions, may not discriminate on the basis of religion or nationality, it may not facilitate such discrimination by a third party. It does not change matters that the third party is the Jewish Agency. Even if the Jewish Agency may distinguish between Jews and non-Jews, it may not do so in the allocation of State Land. (MFA 2003)

Although confined to state lands only, the Katzir ruling shook the foundations of the "division of labor" between the State—overtly committed to equal treatment of all its citizens—and the Jewish National Institutions, which accommodated Jews only in the area of land rights. In doing so it may have opened the door for questioning the legitimacy of a wider range of "Jewish-specific" attributes of Israel's land regime.

My discussion has been naturally confined up to this point to Israel within the pre-1967 borders (the green line) and did not involve the West Bank, which was not annexed to the state. Nevertheless, one aspect of Israel's conduct in this territory (and in the Golan Heights as well) relevant to our discussion is the promotion and continuous support of Jewish settlements beyond the green line. These settlements were built mainly on State Lands in the West Bank (most of them were declared as such by the Israeli government) following a ruling by the High Court of Justice in 1979, disallowing the confiscation of Palestinian private land for building civilian settlements (Metzer 2003). This colonizing penetration into the occupied territories has created Israeli enclaves, which in governmental circles and in good parts of the Jewish public have been viewed as a legitimate basis for possible self-justified claims for sovereignty. In pursuing these policies, Israel has turned, essentially, full circle back to the "old" Zionist pre-state means of territorial nation building, utilizing land possession and settlement as a prelude for claiming territorial sovereignty.

II

The treatment of land in pre-state Zionism, together with the practice of the Israeli land regime—both based on an essentially inalienable public domain—make the Israeli story, as indicated above, a clear case of the nationalist approach toward land. Another interesting example, highlighting the nationalistic approach in an indigenous ethno-national context, is the land regime in Fiji (see La Croix 2004; Nithiyanandam and Gounder 2004; Crosetto 2005).

The bulk of Fiji's land (about 88 percent) is defined as inalienable "native land" that is owned by indigenous Fijian village groups or "land-owning units." Part of this land is used by the villages and the rest is designated as native reserve that can be made into use by leasehold only (the leases are administered by the statutory Native Land Trust Board which handles the native land). Most of the lessees, who are practically barred from owning land, are Indo-Fijians, descending from about 60,000 Indian indentured laborers who were brought to Fiji by plantation owners between 1879 and 1916 to work on the islands' sugar plantations. The Indo-Fijians constitute about 38 percent of Fiji's current population (as compared to 54 percent native Fijians). The native Fijian Ratu Mosese Volavola wrote in 1995 that "For the [ethnic] Fijian community, their land is an extension of themselves. It is part of the Fijian soul, and the concept of the *vanua*—the land and the people—lies at the heart of Fijian identity. Land represents life and sustenance, race and culture" (Quoted in Crosetto 2005, 71). This statement expresses vividly the ethno-nationalist attitudes underlying Fiji's land regime. Within this regime the right to collectively own inalienable land, which was granted in colonial and later in independent Fiji (since 1970) to native Fijians only, has created an ethnic-specific hierarchy of legal and constitutional rights. This hierarchy illustrates well the use of land property rights as a means to reserve an exclusive identification with the land for one part of the citizenry, namely their native Fijians.

Considering further ethnic divisions within given states, it should be noted that fears from possible pressures to secede or to demand self-rule by ethno-national minorities or by other defined communities within their borders, have led to various protective steps by ruling states concerning land and settlement. Such cases include, among others, the above-mentioned German settlement policies in Poznan by the end of the nineteenth century and the Israeli policy of the "Judaization of the Galilee." Another recent example of quite similar concerns is revealed by the attempts of post-Soviet Lithuania (and to some extent of Estonia and Latvia as well) to prevent Russian citizens from owning land within its borders in order to eliminate any traces of economic dependence on Russia, which was perceived by Lithuania's nationalists as the state's primary security

threat (Abdelal 2001, 2004). Lithuania's constitution, which was approved by a referendum in October 1992, imposed a sweeping prohibition of non-citizens to own land in the country that otherwise allowed for a free land market. This restriction, however, was incompatible with the liberal trade postulates of the European Union (EU) with which Lithuania signed a free trade agreement in 1994, and became a full member of in 2004. The negotiations with the EU, and internal debates within Lithuania, led in 1996 to an amendment of the constitution, allowing citizens of the EU, NATO, and OECD member and associate member states (i.e., foreigners who meet the criteria of European and trans-Atlantic integration) to own non-agricultural land in Lithuania.⁵ Russians and citizens of other CIS countries were excluded from the amendment, thus giving land ownership a pro-European and an anti-Russian character (Abdelal 2001).

The long process Lithuania went through in determining the nature of, and the constraints to be imposed on, its land market is just one case highlighting the ambivalence between liberal and nationalistic land regime policy in the post-Soviet-controlled countries (as well as in former Yugoslavia). On the other hand, long-established democratic states were certainly expected to embrace the liberal approach toward land and its property rights as well as maintain free land markets in their sovereign territories. And indeed, in a good number of Western states, the land market has been accessible to all: citizens, aliens, and foreigners without any strings attached. Having said that, it should be made clear, though, that sovereignty in the liberal sense enables the state to determine the nature of property rights in land and to restrict them for the "public good" by using the prerogative of "eminent domain." Upon closer scrutiny, however, we find that apart from the utilization of the power of "eminent domain," a number of non-post-Soviet states that otherwise adhere to the liberal postulates of property rights restrict their land markets by limiting the ability of non-citizens to purchase land (Metzer and Engerman 2004).

Some of these restrictions are of a "light" nature, such as the requirements in Austria for an official approval of land purchases by non-EU citizens. Other more binding restrictions on the ability of non-EU citizens to buy and own land are found for example in Iceland and Spain (Restrictions

⁵ Lithuanian farmers and agro-nationalists were concerned that foreign speculators might buy large chunks of the newly privatized farm land after Lithuania's independence, and that enabling foreigners to purchase these lands before all claims based on pre-Soviet titles were handled would be premature. Their pressure led to Lithuania's demand for a transition period before foreigners from the EU, NATO, and OECD states would be allowed to buy agricultural land. The EU complied and a seven-year transitional period from the date of Lithuania's accession to the EU in 2004 was agreed upon.

2003). A more extreme case, in this regard, is that of Switzerland. As late as the mid-nineteenth century, non-cantonal citizens could be discriminated against in the cantonal land markets, while the cantonal citizens had the right to “redeem” their property. Even after the elimination of these restrictions by the Swiss Confederate Constitution of 1874, the “right of free settlement” within the confederation was granted only to Swiss citizens, while foreigners’ rights to buy landed property have been rather limited (Hannum 1996; Restrictions 2003).

Even in the US—the leading champion of economic liberalism and private property rights in land—we find various restrictions on foreign land ownership imposed by a number of states. The legal scholar Mark Shapiro discusses in a highly illuminating article the motivations of enacting Alien Land Laws at the state level and dwells on the constitutional and federal legal constraints that limit those laws, and may even turn them invalid (Shapiro 1993). In reviewing the history of Alien Land Laws in America he identifies four waves of their enactment.

The first wave was marked by federal legislation in 1887 that limited alien land ownership in the federal organized territories for fear of large foreign-held land tracts that could hinder statehood of those territories. This reasoning reveals the (nationalistic) link between land ownership and territorial sovereignty. The second wave was racially motivated by attempts to curb Japanese immigration, which prompted the states of the Pacific Coast to enact laws barring alien “Orientals” from owning land. These laws were later gradually repealed after the Second World War and completely deactivated in the early 1950s. The third wave of restrictive alien land laws arose during the Cold War era, with several states limiting by law the rights of foreigners to inherit land, for fear that American property may fall into the hands of communist governments. This type of legislation was annulled, however, by the Supreme Court that viewed it as an unconstitutional intrusion of the states into the area of foreign affairs. The accelerated growth of foreign investments in the US during the 1970s and 1980s gave rise to the fourth wave of state legislation variously restricting the amount of land that foreigners could buy. Shapiro notes that almost half of the states had such laws in the early 1990s and suggests that the new wave may have been in part “an emotional response to media reports about the increased foreign direct investment in the United States. The reports tended to generate xenophobia, causing a negative attitude toward foreign investment in general, in addition to increasing the perception that United States family farmers were threatened” (Shapiro 1993, 222–23).

Following these remarks, I am prepared to offer the following observation. Namely, that regardless whether the alien land legislation enacted at the state level is declared by the US Supreme Court to be unconstitutional or otherwise invalid, or not, the motivation to put such legislation on the

books reveals that strong nationalist attitudes regarding land prevail even in a country like the US—the beacon of liberalism and free land markets.

Before concluding, a few, even if somewhat digressive, remarks on the treatment of indigenous land rights in the European settlement states are in order. Two rather different approaches—the Australian and the North American—are observed in this respect. The Australian approach was based for about 200 years on the “Terra Nullius” concept, which denied any recognition of aboriginal land rights, let alone sovereignty or self-rule, that were part of the indigenous civilization prior to the British settlement (which commenced in 1788). This approach had changed fundamentally in 1992 with the famous ruling of the Australian High Court in the *Mabo vs. Queensland* case and in the following legislative Native Title Act of 1993. These steps abolished the “Terra Nullius” status of the Australian terrain, and allowed the recognition of the traditional customary laws as a legitimate basis for reinstating aboriginal land rights. These were granted as property rights in common law terms, enabling native titles to be traded for freeholds, but not to be recognized as rights to self-rule, thus maintaining a clear distinction between sovereignty (or any other type of ethno-national autonomy) and land ownership (Metzer and Engerman 2004).

The treatment of Native Americans in the US (and to a large extent in Canada as well) was different. It was based on the concept of treaties that became the legal foundation of the relationships between the British colonies (and later the US federal government) and the indigenous populations. These relationships were established on a contractual basis, which institutionalized the surrender (although mostly enforced) of most of the Indian lands, in return for some (usually quite modest) compensation and for the official recognition of the Native Americans’ permanent rights to federally designated tracts of land on reservations. Inferior as the standing of the Native American tribes may have been in those treaties, they laid the ground for their special, though quite ambiguous, status as a distinct polity—the “Indian Nations” (or in Canada, “First Nations”)—in terms of rights over land and of some kind of territorial sovereignty. A major milestone in formulating these rights were the rulings issued by Chief Justice John Marshall in 1831 and 1832, affirming that “Indian nations had always been considered as distinct, independent political communities, retaining their original natural rights, as the undisputed possessors of the soil, from time immemorial” (cited in Delora and Lytle 1984, 170). It should be stressed, however, that these natural rights did not allow for the sale of Indian land—which was held for them in trusteeship by the federal government—to private (non-Indian) parties, and were thus inferior to “common law” property rights.

The ruling by Marshall—recognizing the natural rights of the Indian Nations—became the basis for the prevailing constitutional notion of “In-

dian domestic sovereignty,” which implies some kind of sovereignty sharing over the same area. Indian sovereignty, although limited only to the tribe members living on the reservations and not applying to non-Indian property within their boundaries, has some clear attributes of self-government. The self-ruled reservations are independent of the states in which they are located and their governing bodies possess certain “ex-territorial rights,” for example, to impose some excise taxes and operate casino houses (Metzger and Engerman 2004).

In other words, what we have here is a system of collective land rights from which some attributes of self-government are derived, as would be advocated in nationalist and indigenous thinking. These are exercised, however, within a liberal federal state, that, notwithstanding the restrictive alien land laws at the state level, maintains otherwise a regime of secured private property rights in alienable land and clearly distinguishes between overall territorial sovereignty and land ownership.

III

In conclusion, the distinction between ethno-nationalist and liberal attitudes toward rights in land, although not clear-cut in the real world of states (as the above discussion indicates), serves us well typologically. It provides useful insights on the relationships between territorial sovereignty and land ownership, and assists us in identifying nationalist attributes in land regimes, including those of a liberal nature. Note that such attributes may be found in nationally motivated constraints imposed on the entry to states’ land markets, and in using land allocation policies to strengthen the spatial grip of the ethnic majority in ethno-nationally divided states. In rather different instances, these attributes are observed in the accommodation of sorts of indigenous customary land rights within otherwise free-market based land regimes.

As for the Israeli story, we have seen that while liberal attitudes were not absent from the debates of the 1950s about the appropriate land regime to be formed in the new state, the nationalist approach prevailed. Moreover, consistent policies of intensely using the allocation of (leasehold) rights in land in order to strengthen the spatial position of the Jews, made Israel’s nation-building a clear and rather extreme example in which securing the possession of land by the ethno-national majority has been perceived as a necessary means for cementing the territorial integrity of the state and hence its sovereignty.

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Disparities and Economic Nationhood in Yugoslavia

Žarko Lazarević

Interpretations of the Yugoslav historical experience usually begin and end with authors exposing long-term political, social, and economic instability, and seeking the origins of this instability in extraordinary diverse sources; specifically the country's intense social, economic, and cultural differences at the regional level. Furthermore, regional differences in the past often coincided with ethnic classifications. During its existence, Yugoslavia responded to the challenges of intense regional differences—and consequently also conflict-charged relations among the country's constituent parts—through a series of institutional changes, which decentralized the decision-making processes of the political and economic order. The aim of these decentralizing processes was to increase the autonomous responsibility of regional authorities in order to reduce internal political conflicts and facilitate greater consensus in policy-making for development strategy at the federal level. This decentralization was carried out from the first decades of the country's existence in 1918 until World War II as well as during the communist social and economic order after World War II.

Below, I will highlight a few of the most distinct periods of risk management processes, which arose from the extensive discrepancies in ethnic structure and rates of economic-social development of the population as well as the resulting divergent interests. The discussion will be primarily focused on four basic claims: The first claim is that in hindsight we can judge the decentralization politics of Yugoslavia as unsuccessful. Despite decentralization aimed at placating ethnic disunity, the internal political tensions after the dissolution of the Yugoslavian state invoked a transformation of regional economies into national economies. The second claim exposes the simultaneous intertwinement of two simultaneous, ongoing processes, that is, the process of state-wide economic integration and the process of disintegration. Yugoslavia most certainly did meet the criteria for defining a “national economy.” The following list includes some of the most general criteria, quite extensively simplified: Through its custom and monetary politics, Yugoslavia clearly defined the country's relations with other countries; the development policies were unified, i.e., harmonized at the federal level; free economic

exchange was allowed within its territory; and different forms of transferring financial assets beyond regional borders were institutionalized. Despite the system-level order, the concept of an integrated national economy was perpetually put to the test in Yugoslavia, as different expectations collided. Different regional strategies for maximizing benefits in the framework of a unified national economy, which were united through the notion of economic emancipation of Yugoslavian ethnic communities, were in conflict. The third claim is that ethnic communities regarded devolved economic powers as a transfer of “sovereign” powers to the regional level. This means the emancipation was defined as an acquisition of powers allowing the control and creation of development policies as well as the economic, especially financial flows within and among the country’s regions. However, the process was multi-layered, not merely economy-oriented, involving social, cultural, and political factors. As such, economic emancipation was only part of a comprehensive strategy for ethnic emancipation. The final claim highlights the fact that the ethnic or regional strategies for maximizing benefits were adapted to the rate of economic development, and the level of regional inclusion in the domestic and international economic trade flows. The strategies were founded on assumptions related to expected costs and benefits of economic emancipation. Viewpoints founded in this manner were translated into political terminology through concepts of decentralization or “unitarianism” of the state, which were further joined by market reforms during the communist era. Where regions showed high importance in international exchange (especially with Western markets), the defenders of decentralization or market reforms after 1945 were at the forefront. As a rule, they were the most economically developed regions: Slovenia and Croatia. Conversely, representatives of other regions, which were oriented toward the domestic market and the markets of Eastern European socialist states, were not in favor of decentralization reforms.

The Establishment of Internal Relations

It is beyond question that at the moment of its establishment in 1918, Yugoslavia was a very heterogeneous country with considerable developmental differences. The ideas about the new state were extremely dissimilar in different regions. The line of contrasts and oppositions ran from the northwest toward the southeast. The northwestern regions were above the Yugoslav average, while the southeastern regions were below it (Lazarević 1999, 56). Until the establishment of the Yugoslav state, development took place independently, since Slovenia, Croatia, Vojvodina, as well as Bosnia and Herzegovina belonged to the Habsburg Monarchy, while Serbia and Montenegro existed as independent monarchies.

The focus of the Yugoslav economic space lay in the southeast of the country and had an agrarian character. This had significant consequences for the formation and management of the economic policy and establishment of developmental priorities. From the point of view of officials in Belgrade, it seemed that the new state was an extension of Serbia. In accordance with this model, Yugoslavia was formed as a relatively closed, protectionist market. Foreign competition was deterred by quite immoderate protective customs duties, which were supposed to provide an opportunity for the development of local entrepreneurship, especially in industry. The role of the state, with its state-owned and semi-state industrial or banking companies, was indispensable for this concept (Mirković 1958, 332–413). State interventionism was strengthened in the 1930s, during and especially after the Great Depression (Đurović 1986). In the new protectionist environment industrial prices increased disproportionately in comparison with the agricultural prices (Bićanić 1973, 6–22). The changed level of relative prices had consequences for the relative economic position of the former Habsburg territories. Slovenia, Croatia, and Vojvodina suddenly became the most advanced parts of the state in the economic and technological sense, and their cities and populations, on average, were the richest in the country. That was despite the fact that the previous economic achievements of these regions in the Habsburg context were quite modest (Good and Ma 1999). Naturally, these regions became more confident, especially politically. The altered relative position in the state, very diverse in terms of politics, culture and economy, had multi-layered consequences, especially in the fiscal field. For example, in Yugoslavia, Slovenia and Croatia had to contribute more to the budget than they received, which was the cause of constant political conflicts. In order to illustrate the situation, let us just mention the slogan frequently heard in Slovenia: “*Serbs rule, Croats talk, and we (Slovenians) pay*” (Perovšek 2004, 405). These words were very suggestive. They expressed the feelings about the new Yugoslav state and economic-political reality. The stereotypical characterization of the relative roles of the regions remained topical throughout the existence of the Yugoslav state.

These confrontations were caused by the political and economic inconsistency in the state, with the political power centered in Belgrade, and the economic power located in Slovenia and Croatia. In comparison with the Habsburg Monarchy, this was a new arrangement: the less-developed imposing the conditions of management. Outwardly this conflict manifested itself as a clash between the centralist and the autonomist concepts of the social mechanism. It was a struggle about who should specify the developmental priorities and the economic policy of the state.

The integration of the Yugoslav state took place in an atmosphere of conflict. Two essential provisions attempted to address this issue: the monetary reform of 1920 and the first Yugoslav constitution, adopted a

year later. Both were enacted in the circumstances of severe political polarization. Although four currencies¹ were in circulation in the Yugoslav territory, the exchange rate between the Serbian dinar and Austrian crown was by far the most important. When the exchange rate between dinar and crown was set out in February 1920, protests were heard throughout the country. The owners of crowns from the Yugoslav territories of the Habsburg Monarchy had trouble coming to terms with the exchange rate of four crowns to one dinar. They felt cheated and the exchange rate supposedly devalued their property. The divergence of these standpoints was understandable, since the relative economic position of individual regions was also established by means of the exchange rate. The economic competitiveness of individual regional economies in the new state was being defined, and these new relations once again coincided with the ethnic divisions. At the level of political discourse, the perception of economic discrimination against Slovenians and Croats in the context of the new Yugoslav state was strengthened. The constitution adopted in 1921 did nothing to change this perception. Quite the opposite: because of the way the constitution was adopted as well as due to its character, the feelings of discrimination only deepened. The basic characteristic of the constitution, adopted without the necessary quorum due to obstruction, was a high level of state centralization. The constitution completely disregarded the ethnic and regional diversity in the state. It was based on the unitarian principle, ideological construct, and the cohesive power of the unified “Yugoslav nation” with three names (Slovenians, Croats, and Serbs).

The diversity of the territories meant that internally the Yugoslav economic space was slow to formally integrate. Actually, this process continued until as late as World War II. Most of the legislation was adopted in the 1930s, since in the time of classic parliamentarianism in the 1920s it was not possible to pass bills through parliament due to the divergent interests of different nations, political incongruity, and extreme political instability with the government frequently changing. In the twenty-two years until World War II, Yugoslavia had as many as 41 governments; the average period of a government only lasting half a year (Perovšek 2009, 237). Until the adoption of individual acts from the economic field, the existing regional legislation, dating back to before 1918, remained in force—that is, legislation adopted in the time of the Habsburg Monarchy and the legislation of the Kingdom of Serbia. The new state simply adopted the old legislation, extending its application indefinitely.

Before World War II, Yugoslavia was a collection of regional economies rather than an integrated economy. The level of economic cooperation

¹ Specifically the Serbian dinar, Austrian crown, Montenegrin perper, and Bulgarian leva.

between the regions was still very low. Here should be pointed out the practice of large foreign companies in Yugoslavia before World War II. Their strategy was different and they expanded the scope of their business to the whole country. The most characteristic examples can be found in banking, the insurance business, and large industrial companies. As such they contributed a lot to the strengthening of the interregional economic exchange. Their registered offices were mostly located in Belgrade or Zagreb—the political or economic centers of the state (Dimitrijević 1958).

The basic conflict in Yugoslavia before World War II was over the very different Serbian and Croatian conceptions of state structure and political space. The standpoint of the decision-making Croatian political elites was that only decentralization and regional autonomy could establish the conditions in which regional differences could be overcome and ensure the long-term stability of the state. However, the dominant viewpoint of the Serbian political elites was a non-compromising insistence on centralism as the only model for achieving stability and overcoming regional differences, even at the price of open dictatorship during the 1930s.

Economic questions—a part of the wider endeavors for the ultimate emancipation of individual ethnic communities—were an integral part of the political agenda. In this regard the centralist regime, and Belgrade as the symbolic center, stood out as the reason for the economic deprivation of individual regions, either due to insufficient understanding of the regional economic needs or because of the real and imagined disadvantages in connection to budget transfers and investments (Shoup 1968, 227). In 1938, each of these issues gained a new dimension. They were shown in the form of regional balances, thus opening a completely new level of heated debates about the structure of the Yugoslav state and its fundamental internal economic relations. In this regard, the book by Rudolf Bićanić should be pointed out. The book, with its suggestive title *Ekonomska podloga hrvatskog nacionalnog pitanja* (Economic Basis of the Croatian National Question), was written at the request of the representatives of the most important Croatian political party, the Hrvatska seljačka stranka (Croatian Peasant Party), propagator of the Croatian autonomist aspirations.

In this book Bićanić tried to provide “expert arguments” for the economic aspect of the Croatian demands for the internal political reorganization of the state. Bićanić’s fundamental standpoint, which he attempts to argue for throughout, is the evaluation that by establishing political control over the state mechanisms and with the emphasized role of the state in economic life, the Serbian authorities put Croatia as well as Slovenia, Bosnia, and Vojvodina in an economically inferior position. The control over

the state mechanisms by means of various measures, especially in the financial field, supposedly contributed to the situation where the tendencies to transfer economic power to Belgrade, i.e., to the political center of the state, were supposedly already evident.

In terms of structure, the book was very suggestive as well. In the introduction, Bićanić first presented demographic data and information about the economic significance of the Croatian regional economy for the Yugoslav state from the viewpoint of mining, crafts, trade, industry, and transport. He then also presented information about participation in international trade (specifically the percentage of imports and exports as well as the contribution of Croatia to the Yugoslav balance of payments with foreign countries). In the first part of the book, entitled "Exploitation of Croatian Lands or Trading with Victims of Serbia," the author outlined the systematic exploitation of Croatia. Here he underlined the two most critical points: currency reform and the tax system. With regard to the currency reform, he emphasizes the devaluation of the crown in favor of the Serbian dinar, while in connection to the fiscal system he pointed out the unbalanced tax burden imposed on individual regions. On the basis of extensive data, he claimed that in comparison with Serbia the amount of taxes collected for each inhabitant of Croatia was twofold, in Slovenia almost threefold, and in Vojvodina fivefold. The second part of the analysis focused on the topics defining the system of the economic exploitation of Croatia by the Yugoslav state. First the author made a detailed presentation of Croatia in the administrative state apparatus. Then he presented the structure of budget expenditures, investments, and public contracts in the military field from the viewpoint of Croatia. He concluded the analysis with the inference that with regard to its political and economic importance in the state, Croatia was deprived in all aspects. As far as the state's external indebtedness was concerned, the author claimed that the Yugoslav territories which had formerly been a part of the Habsburg Monarchy kept repaying the debts of the Kingdom of Serbia. Supposedly the amount of its debts was five times higher than that of the other provinces.

In the context of the banking system the author paid careful attention to state-owned and semi-state banks, whose policies supposedly undermined the Croatian dominance in the field of banking (47 percent of private bank capital) and the city of Zagreb as the financial center of the state. Furthermore, the increased role of the state in the economy during the 1930s (in the years of the Great Depression) was also defined as exploitative with regard to Croatia. In the concluding chapter, the author made a synthetic summary of the economic results of Croatia in the context of the Yugoslav state. Thus he concluded the book with four points: First, in Yugoslavia, Croatia was being exploited, as it contributed much more to the common state than it received from it; second, as far as the percentage of autono-

mously managed resources was concerned, Croatia was worse off in Yugoslavia than under the dominion of Austria-Hungary before World War I; third, the basic economic problems of Croatia (especially in the field of agriculture and infrastructure) had not been solved, and thus the state limited Croatian developmental capacities; fourth, by means of Croatian resources, the "Serbian oligarchy," which economically exploited Croatia by controlling the political system, was becoming increasingly stronger (Bićanić 1938).

Although Bićanić's book only summed up the existing political discourse (albeit with a lot of empirical information), it drew a lot of attention—as expected—to the Serbian side. It provoked much feedback and a large number of responses and objections, which were collected in a book and published in 1940 under the title *Istina o ekonomskoj podlozi hrvatskog pitanja* (Truth about the Economic Foundations of the Croatian Question) with a very clear subtitle "Odgovor g. dr. Bićaniću" (A Response to Dr. Bićanić). We do not have to emphasize that the Serbian authors rejected the whole of Bićanić's argumentation as insufficient due to the lack of comprehensiveness and because of selectivity and bias. To sum up the mass of articles: the Serbian side was exasperated, claiming that supposedly Croatia (as well as Slovenia) had acquired new markets and thus an opportunity for swifter economic development. In the circumstances of the protectionist economic policy, Croatia (and Slovenia) allegedly even increased their competitive advantage in comparison with Serbia due to a more balanced economic structure. While Croatia (and Slovenia) had already been partly industrialized, Serbia was still predominantly an agrarian country. Purportedly the north of Yugoslavia benefited the most from the new state. Due to the strong Croatian-Slovenian competition in the changed circumstances after 1918, the Serbian economy was supposedly unable to take advantage of all systemic incentives of what was in an economic sense a paternalistic state with a clearly expressed intention to protect or strengthen the Yugoslav industrial entrepreneurship (Istina 1940). These sorts of debates went on regularly, more or less intensely, with regard to the political and economic life ever since the establishment of the Yugoslav state. Due to its size, economic power and central location, the Croatian politicians strived for domination or at least shared power with the Serbian side, which Croatia succeeded to ensure with the establishment of the Croatian Banate.

In 1939, the Croatian and Serbian elites reached an agreement. Shortly before World War II, the Serbian political elites attempted to create national political stability. This was impossible to achieve permanently without reaching an arrangement with the most important Croatian party, the Croatian Peasant Party (HSS). After long, secret negotiations, an agreement was finally reached, forcing the Serbian elites to give up the centralist principle. With this agreement, an institutional change took place in Yugo-

slavia. In accordance with this agreement, a special autonomous Croatian unit—the Croatian Banate—was established, encompassing the majority of the Croatian population with certain territorial expansions. The Croatian Banate had a completely confederate status, and its autonomous government had an exceedingly broad list of powers. In its relations to the Croatian Banate, the central government retained its jurisdiction in the field of defense, monetary policy,² foreign policy, international economic cooperation, and state traffic infrastructure. The rest of the powers were transferred to the Croatian Banate, which also acquired judicial and financial autonomy with its own fiscal system (Čulinović 1954, 296–303). The outbreak of World War II may have prevented the comprehensive functioning of the Croatian Banate, but a significant precedent was still made. Even at the time, contemporaries compared the Croatian Banate with the special status of Hungary in the context of the Habsburg Monarchy, when Austria-Hungary was created in accordance with the principle of dualism with the agreement of 1867 (*Ausgleich*). They agreed that the status of the Croatian Banate was superior to the position of Croatia in the context of the Hungarian half of the Monarchy (Tomašić 1940, 591). Croatia became a kind of a confederate island in a rigid Yugoslav centralist system that still applied to the other regions (Lampe 1994, 83).

With their entry into the central government, Croatia acquired a disproportionate amount of influence in comparison with the other regions—for example, Slovenia—who were also acknowledged as constitutive elements of the Yugoslav state. In Slovenia, the response to the Yugoslav economic reality was not as radical as Croatia's since the general opinion in Slovenia was that the benefits of joining Yugoslavia outweighed the costs. Slovenian political elites did not have any ambitions to be the most important in the common state and they were aware of their limited relative importance. In Slovenia the establishment of the Croatian Banate was seen as the beginning of the reorganization of the state, which would lead to Slovenia also acquiring the same status as Croatia. Just like in Croatia, the dominant opinion in Slovenia was that the Yugoslav unitarian economic and social policy did not sufficiently take into account the Slovenian interests, needs, and peculiarities. Therefore special general Slovenian economic, financial and social policies were required. Only in that way could the interests of the Slovenian society and economy in Yugoslavia be protected (Gosar 1940, 89–102).

² According to some sources an agreement between the Yugoslav Central Bank (National Bank of the Kingdom of Yugoslavia) and the Croatian Banate on the introduction of a parallel Croatian currency was also reached. Outlines of the Croatian currency were supposedly also designed, which are now kept by the Croatian central bank (see <http://www.hnb.hr/novcan/povijest/h-nastavak-4.htm>).

Persistence of Internal Relations

The establishment of the communist regime after World War II involved many changes for Yugoslavia as a whole. The state was federalized, composed of six republics and two autonomous provinces. At the same time, Yugoslavia initiated a radical transformation of society and economy, based on revolutionary communist concepts. The economy was reshaped in terms of ownership and structure, state economic interventionism was established, and suitable administrative apparatuses for the management of the economy were formed. In this period, economic development policy became the primary task of the state, which changed the very foundations of property ownership relations by nationalizing private economic undertakings between 1946 and 1948. All industry, financial institutions, trade, and agricultural lands were nationalized. The postwar communist Yugoslav state introduced a protectionist and autarkic concept of economic development, upgrading it also with the model of central planning and redistribution of investment resources in accordance with the Soviet example.

However, despite the new institutional framework the dilemmas of the Yugoslav space remained the same. Profound economic and social differences between regions, coinciding with ethnic divisions, persisted. The Yugoslav communists did not overlook this fact. They promised the transformation of the state into a community of equal nations. However, equality was understood very broadly, since it did not only involve political equality, i.e., the option of participating equally in the decisions about common issues and making independent decisions about one's own matters. National equality was extended or, in other words, it was even conditioned with economic and social equality. Every citizen, regardless of the economic strength of the individual republics, was entitled to the same level of public sector services (Mihailović 1990, 22).

As the central social and political issue, this brought to the forefront the dilemmas with regard to developmental models, regional politics, and especially economic development. Cultural differences were to be transcended with the ideological unification on the basis of the united Yugoslav working class and the consequent harmonization of interests. Meanwhile, economic and social equality were to be ensured through regional politics. In this manner, the question of the developmental model of the economically underdeveloped regions became a fundamental political issue. Striving to transcend the developmental differences in the first decades of communist rule, the Yugoslav authorities resorted to mechanisms of the centralized redistribution of resources at the level of the state. This involved two distinctive instruments, which became an important—and politically controversial—category. On one hand, direct aid to the underdeveloped republics for the coverage of ongoing expenses for the provision of public services

was introduced. On the other hand, the centrally-planned developmental model allocated investment resources to economically underdeveloped regions with the aim of industrial development. With increased investments, the economically underdeveloped regions were supposed to be strengthened to the point where they could take over the financing of public services themselves (Shoup 1968, 230). However, since the reallocation of resources caused political conflicts and because the levels of developmental differences between regions failed to diminish, gradually the regional policy goals were redefined. The ultimate goal, not even in a long-term perspective, was no longer to equalize various regions in the economic and social sense. The underdeveloped were supposed to strive toward reaching the state average. Great emphasis was placed on increasing the responsibility of economically underdeveloped republics for their own economic and social development. The collection of the state support and incentive mechanisms (investments of companies from developed regions, a federal fund for the undeveloped, budgetary resources, foreign loans, various kinds of concessions: customs, tax, lower interest rates, better loans, and so on) were only supposed to provide assistance.

The realization that the developmental differences between regions would be impossible to eliminate quickly gave rise to many questions about the future and the institutional organization of the state. Debates about the regional differences and redistribution of resources within Yugoslavia turned into discussions about the developmental economic model and unavoidably about the political system as well. The conflict of interests stemmed from dissimilar economic and social structures of the integral parts of Yugoslavia, since the economic policy measures were not regionally neutral (Kavčič 1964, 44–54). In a multinational state that unavoidably resulted in political and economic disputes with a clear national identification. The story from before World War II repeated itself. Then the prewar unitarian model stumbled against the feelings of deprivation or all-around exploitation of individual nations in the new state, especially the Croats. The communists encountered the same problem, that is, how to find a compromise between the opposing interests of the center and the state's integral parts. During this period regional differences actually deepened, further exacerbating political conflict. And at the same time, the state as a whole was lagging behind their Western neighbors (Sicherl 1990).

Instead of centralized decision-making, the principle of the republics' own responsibility for their development became prominent, calling for decentralization. Devolved power over development strategy was supposed to facilitate an easier consensus and calm down the political tensions within and between republics. The transfer of the political and economic powers from the federal to the republican authorities began with the abolishment of the centrally planned system. In the field of economy, decentralization

gained an image of introducing the “socialist market,” which was supposed to encourage the “self-responsible” economical business operations and ensure that the Yugoslav market operated on the basis of economic benefits. Simultaneously, individual regions were allowed to take out foreign loans to neutralize the unrest that the regional reallocation of resources had created (Borak 2010, 37). The concept of different interregional relations was supposed to take place within the context of the underlying cohesive power of the Yugoslav Communist Party, i.e., its ideology.

The reforms initiated by Yugoslavia in the 1950s created a duality of the state regime. In the political field Yugoslavia remained a classic single-party communist country, led by the League of Communists, the official name of the Communist Party. However, the reforms in the economic field partly institutionalized the market of goods and services, which called for free price formation and liberalization of economic life at the internal market as well as with regard to international cooperation. However, within this system the Communist Party still played an arbitrary role. The domination of the communist ideology and subordination of the economic sphere were built into the system itself. The administrative-political structure embodied by the League of Communists represented the regulator of economic and political changes (Buvač 1990, 39).

However, even these reforms could not change the internal relations. Until the very dissolution of the state, the political and national context of the divisions within the Yugoslav space remained the same. The burden of self-responsibility was accepted more easily by the economically developed regions, while the underdeveloped areas felt discriminated against. The pursuit of the political and economic balance between the economically more or less developed republics was a constant topic. The economically developed republics (Slovenia and Croatia) were the protagonists of the decentralization of political and economic jurisdictions, arguing for a “market socialist” economy. However, the discourse of the representatives of underdeveloped republics insisted on greater solidarity (i.e., understanding of their developmental needs due to a different economic and social structure) through a more centralized management of the economic development and redistribution of financial resources in order to facilitate their swifter development.

The divergence of standpoints was also evident from the formation of developmental economic concepts. At the schematic level we can generally discern three groups, which—as usual in Yugoslavia—also clearly identified themselves nationally. They were based on the economic structure and the related interests of three republics. Since the 1960s, Slovenia supported the economic system reforms with the aim of introducing elements of market economy. It focused on the deliberations about the importance of increasing work productivity, developing the market, demand, technological inno-

ventions and knowledge, processing industry, export, services sector, and ensuring a closer cooperation with the Western economies. In this context, Slovenia was seen as the driving force within the Yugoslav economic space, in that it could also support the development of underdeveloped republics more efficiently on the basis of a restructured and successful economy. However, initial Slovenian contributions to the underdeveloped republics should be decreased—the Yugoslav economic integration should take place without the coercion exerted by the center, due to economic incentives (Repe 1992, 40–46). This concept stemmed from the wish to optimize Slovenian advantages within the Yugoslav economic space. It supplemented the technological superiority and higher level of economic efficiency with the economization of its geographical position in the sense of transport logistics. Just like before World War II, Slovenia was limited in these efforts due to its relatively inferior position. It could not emphasize its central location like, for example, Croatia or Serbia, which had built their more central position into their economic concepts. Due to this position, building on their own dominant economic structures, Croatia and Serbia wanted to transfer the economic center of the state to their areas, thus dictating the orientation and dynamics of the development at the state level. Thus in Serbia the so-called “Danube developmental concept” was widely accepted, while Croatia kept supporting the “Adriatic developmental concept.” The Danube developmental concept saw priorities or comparative advantages in metallurgy, basic chemical industry, and of course agriculture and the related food processing industry. Serbia represented the leading region in this concept. Quite the opposite, the Adriatic developmental concept was perceptibly oriented toward the West and did not involve as many explicitly defined industries as developmental priorities, and it was closer to the Slovenian idea of “market socialism.” The concept primarily stemmed from the Croatian needs for economic and transport integration. To this end it necessarily had to include the territory of Bosnia and Herzegovina due to its specific geographic situation (Borak 2002, 24–35).

Alongside the economic reforms, changes to the political system also took place. The principle of self-responsibility and equality also called for powers in the decision-making process, especially in economic matters. In Yugoslavia this was also associated with the national question, which was in the background of all decisions. The supposition was clear. National equality could only be ensured by strengthening the statehood of the republics and provinces. The possibility to make decisions about issues under the federal jurisdiction was an essential ingredient of the republican statehood (Borak 2002, 76). These principles were gradually institutionalized after

the middle of the 1960s and completely formalized with the 1974 constitution. The transfer of powers to the individual, now autonomous, republics followed, but they were obliged to coordinate their interests at the federal level. At the federal level the federal government and other federal institutions operated as coordinators of the republics' interests.³ The whole political as well as economic system was based on the idealized principles of the non-conflicting interests of individuals, economic subjects, social groups, nations, and republics due to the common ideological foundations: adherence to the idea of socialism or communism (Mencinger 1990, 490–95). As we have already pointed out, this adherence was supposed to be ensured by the most important cohesive power: the Yugoslav Communist Party.

In 1974, the economic and political powers were distributed among the Yugoslav republics and both autonomous provinces on one hand and the federation on the other hand. Therefore the relations between the republics and inter-republican politics became the key point of the functioning of the state and economy (Borak 2010, 36). The individual republics started operating as independent national and economic territories⁴ with a clear intention of giving priority to their own economic interests and aspiring to autarky (Zarkovic Bookman 1990). Naturally in these circumstances it was extremely difficult to reach a functional consensus about the economic policy at the federal level. None of the federal units, identifying with the majority ethnic affiliation of the population in their territories, was strong enough to win the others over with convincing arguments. In this process the relations between the republics in the areas under their exclusive jurisdiction were characteristically conflicting, involving disputes at the level of the federal government and the League of Communists of Yugoslavia, where the role of federal institutions was decisive; as well as discord between the groups of republics and the federal center as well as between various factions within these republics, which would occasionally seek alliances with similar groups in other republics (Borak 2002, 76; Ramet 1992, xvi).

³ John Lampe wrote that the Yugoslav constitution of 1974 allowed for a so-called "liberum veto"—every federal unit could block the decision-making process at the federal level to protect its own interests (Lampe 1994, 86).

⁴ These kinds of interpretations were carried out on the basis of measuring the scope of the economic exchange between the republics in the 1970s and 1980s. The acquired data was interpreted as the confirmation of the theory about the declining economic exchange between the Yugoslav republics. This theory, which gradually became dominant (especially in Serbia), was disputed by many repeated control studies. The interpretations of these studies were confirmed by the long-term fluctuations in the scope of mutual economic cooperation, which did not exceed the limits of ordinary fluctuations and coincided with other economic policy measures (Borak 2010, 81–94; Bićanić 1988, 120–41; Burkett and Škegro 1988, 142–55).

These circumstances raised the question of the functioning of the Yugoslav economic space, since individual federal units had different conceptions, expectations and outlooks on the common state and its developmental priorities. What had already been complicated relations between the republics became exceedingly hard to overcome in the 1980s, during the profound economic crisis. Gradually the impression asserted itself that within the existing communist economic and political system it was virtually impossible to find solutions acceptable for all of the state's integral parts (Mencinger 1990, 490–95). The cohesive force, which would bind together and arbitrarily regulate the Yugoslav differences, was gone. The so-called federalization of the Yugoslav Communist Party followed. The republican Communist Parties, which were only supposed to be regional branches of the united Communist Party, became “nationalized.” Gradually they gave up their identification with the working class. They started to identify themselves with the dominant nations in the individual republics, became the advocates of their environments, and in fact kept transforming and ultimately turned into national parties (Burg 1983, 301–35).

The Yugoslav communists faced two frustrations; two perceptions of deprivation originating from the different relative economic positions of individual republics. The developed republics were frustrated by the redistribution of the financial resources through the fiscal system or, even worse, outside of the fiscal system in favor of the underdeveloped, which was deemed as one of the main reasons for less successful economic development. The consequences, it was argued, were clearly visible from the deepening economic differences in comparison with the neighboring Western countries (Austria and Italy). However, in the undeveloped regions frustrations were based on the lower level of economic and social development, the mostly one-sided economic structure, and the insufficient competitiveness in the internal and foreign markets. There was also a perceived lack of understanding of these regions' economic needs and discrimination with regard to budgetary transfers and investments (Shoup 1968, 227).

In order to ensure a more comprehensive understanding of the irreconcilability of regional points of view, a third event, which strongly marked the Yugoslav discourse during the 1980s, should be also discussed: the Memorandum of the Serbian Academy of Science and Arts. In the mid-1980s a group of Serbian members of the Academy presented their outlook on Serbia or the Serbian nation in the Yugoslav state in a memorandum. It essentially built on opinions which had already existed before World War II. The authors of the Memorandum stated that in Yugoslavia after 1945, Serbia had been politically and economically inferior, even discriminated against. The economic policy of that era had a detrimental effect on the Serbian economy, which had been relatively inferior even in comparison with the Yugoslav average, let alone Slovenia or Croatia. Sup-

posedly the economic policy and state regime as imposed by Slovenia and Croatia prevented the balancing of these differences in the state in favor of the Serbian economy. The decentralization of the economic and political system was seen as disintegration of the federal state. The affirmation of the republics' statehood statuses presupposed partial interests in opposition to general state interests. The fragmentation and disintegration supposedly resulted in the emergence of "national economies," i.e. autarkic economic policies of the individual republics. According to the authors of the Memorandum a radical change of the economic and political system was required to overcome the profound crisis and do away with fragmentation by abolishing decentralization. Centralization or the strengthening of the powers of the federal authorities would also ensure that the interests of the Serbian economy were taken into account, and thus balance would be restored (Mihailović and Krestić 1995, 95–118). Balance would be established by reallocating resources through the federal bodies in order to finance a new investment cycle in Serbia (Palairat 2008, 226). Attempts were made to transfer these points of view, which were identified as the principles of distributive nationalism, into the Yugoslav political practice (Dallago and Uvalic 1998, 73–74).

Toward the end of the 1980s three concepts of Yugoslav reorganization—three visions of the future—were formed due to the conflict between these three frustrations of the developed republics, the underdeveloped republics, and Serbia. The first option was a centralized federation, supported in the less developed parts of the state, including Serbia—that is, in the regions, which had already benefited or expected to benefit, relatively speaking, from such an environment. In the developed republics (Slovenia, Croatia) this option was refused, as it was deemed an obstacle to their own swifter development. According to experience, a policy involving the centralization of macroeconomic management would only generate instability. As it was, the profound regional differences prevented the central government from forming policies appropriate for all environments (Mencinger 1990, 492). The second option, offered by Slovenia and Croatia, was the reorganization of Yugoslavia into a confederation of states with comprehensive political and economic independence of the existing republics, which would precisely define the mutual relations and contents of joint policies. This, however, was difficult or impossible to accept for the supporters of the centralizing concept. The first as well as the second option presupposed the necessity of reaching a new agreement on the institutional structure of the state and redefining the federal bodies or common policies. In 1990, after multiparty elections had been carried out in Slovenia and Croatia, the third option came about: this was the option of independence and the establishment of the full statehood of individual Yugoslav republics (Žižmond 1992, 111).

The third option was founded on, among other things, the structures of international economic exchange found in specific Yugoslavian republics. Yugoslavia as a unit had a three-tiered structure of international exchange. It imported capital, technology, and investment assets from the Western states. From the then Third World countries and Eastern European socialist states, it imported energy (oil) and raw materials. The characteristics of international economic exchange brought consequences also for the regional division of labor in the country. Slovenia and (to a great extent) Croatia were tied to the economic cooperation with the Western states due to their geographical positions as well as their own development policies which encouraged the export-oriented type of economy. Both of the two republics, especially Croatia, had a developed tourism sector, which propelled cultural and economic bonds with the neighboring countries. The less-developed Yugoslavian republics targeted the Eastern European countries or the Third World countries when it came to international exchange. In exchange for raw materials and energy products, they offered weapons, implementation of large investment projects, and even general consumption goods (Arfi 2005, 118). A strong economic setback in the communist states from the 1970s onward reduced the development potential of less developed Yugoslavian republics. They were faced with the need to restructure their economies toward greater competitiveness on the western markets. Since that was a long-term process, the less developed republics, based on the expected costs and benefits, accordingly adapted their political concepts of state reorganization with the emphasis on the center-oriented arbitrage in redistributing assets within the state. In the same manner, Slovenia and Croatia formed their proposal of reshaping Yugoslavia into a confederation of states or turning the republics into independent states.⁵ At the end of the 1980s, the proposal was joined by yet another dilemma. A question emerged that reached beyond the emancipation of ethnic communities. It was the issue of sustainability in the communist political and economic system in Europe, including Yugoslavia, and a question of transforming those systems into democratic political pluralisms and market economy structures. In this respect, a different kind of dichotomy occurred. Croatia and especially Slovenia were leading when it came to such processes, compared to the other republics. Reforms of the economic and political system in Slovenia were faster and more radical, so the rest of the country could not follow (Zarkovic Bookman 1993, 20). From the Slovenian standpoint, the concept of state independence, which was perceived as a solution in the issue of Slovenian nationality, and that of economically transforming the communist regime into a parliamentary politi-

⁵ Costs and benefits of individual republics in Yugoslavia are very illustratively presented in a study by Wei Ding, "Yugoslavia: Cost and Benefits of Union and Interdependence of Regional Economies."

cal system and market economy became a unified issue. They evolved into two sides of the same process. The dissolution of the communist bloc and, consequently, the end of Cold War at the end of the 1980s created space for the implementation of such ideas not only in Slovenia but also in other Yugoslav republics.

The third option became increasingly relevant, especially after the autumn of 1989. In a time of extremely intense political conflicts in Yugoslavia, Serbian politicians introduced an economic boycott against Slovenia, Slovenian products and Slovenian companies operating in Serbia. The boycott was selective in order not to have too detrimental an effect on Serbian interests, it was strictly controlled by the Serbian political bodies (Repe 2002, 141–42), and the reason for it was simple: enjoying the quiet support of others, Slovenian politicians were a major obstacle on the path toward restoring the model of a protective centralized state, represented by the Serbian political elites. The enforcement of the economic blockade was, in effect, the establishment of an independent Serbian customs policy, despite all its arguments for the unity of the Yugoslav economic space. The effect of the boycott, which was intended to punish Slovenian independence by decreasing Slovenian domestic product by as much as 14 percent (Mencinger 1990, 495), in fact had the opposite effect, since it only accelerated the actual disintegration of the Yugoslav state. Furthermore, the Serbian authorities' "incursion" into the monetary system in 1990, when they independently allocated significant financial resources to Serbian banks and other companies in the form of loans through the republican central bank,⁶ without the knowledge of the Yugoslav Central Bank (Palairret 2008), also played a part in the dissolution of the state. It was clear that the Serbian authorities also appropriated the issuing policy.

In Slovenia, the arguments for leaving the Yugoslav state ultimately prevailed. The conviction became prevalent that if it was open to the world, the diminutive size of the national economy did not matter. It was expected that the ultimate disintegration of the Yugoslav market would have very negative effects due to the loss of Yugoslav demand and the consequent decrease in gross domestic product. However, the long-term expectations were positive. The independence of Slovenia was associated with the possibility of "a swifter introduction of a normal market economy and more efficient interventions of the state into the economy due to the more thorough familiarity with our own economy, more homogeneous with regard to the development level" (Mencinger 1990, 495).

⁶ With the reorganization of the state regime in 1974 and the strengthening of the statehood of the Yugoslav republics, republican central banks were also established in the individual republics. These were not branches of the Yugoslav Central Bank (National Bank of Yugoslavia), but co-shaped the monetary policy.

By the end of 1989 Yugoslav inflation, a symptom of a profound economic crisis, reached the unprecedented heights of 58.8 percent in December alone. Even the monthly growth was enormous—higher than other countries had measured in decades. Furthermore, the extrapolation showed that the annual inflation, should such monthly growth continue, would reach a fantastic figure of 25,616 percent (Žižmond 1991, 7). That was completely unimaginable and had devastating consequences for the conceptualization of the communist economic-political regime as well as for the very idea of Yugoslav statehood itself, despite the final attempt at economic reforms in 1990. One of the causes for the dissolution of the Yugoslav state and its market was also the demise of the socialist regime as a part of the global process and the changed geopolitical relations in Europe. Thus the path from socialism was simultaneously the path out of Yugoslavia. The crisis, which had only intensified since the beginning of the 1980s, revealed the impotence of the framework of the socialist economic system with regard to ensuring long-term economic success and stability. The Yugoslav circle was soon complete. In the following year, the political and social conflicts within the state became too severe to control. In general chaos Yugoslavia fell apart after a decade and a half of profound political and economic crisis. In 1991 the Yugoslav republics became independent countries and independent national economies.

Conclusion

According to political science literature, cultural and economic differences in themselves are an obstacle for integration. If we add the ethnic component to these differences, the very political stability of a certain state community may be threatened and disintegration encouraged (Burg and Berbaum 1989, 536). The Yugoslav experience also indicates that in multiethnic state communities with significant differences in the levels of development, economic issues are extremely important for long-term stability. Moreover, we can claim that the economic issues were one of the priorities of the political agenda. “Economic emancipation” or “deciding about the fruit of one’s labor” (“economic sovereignty!”) was an integral part and goal of the process of the political and cultural emancipation of certain communities. Economic questions also represented prominent political issues, since they could not be resolved outside of the political system. Institutional changes were therefore necessary in order to satisfy such interests. In Yugoslavia attempts were made to overcome the conflicting relations by introducing a range of institutional changes, decentralization of the decision-making processes in the political and economic system, and strengthening of the individual republics’ statehood. Simultaneously this gave rise to the question

of the long-term stability of economic, political and social institutions, which represents the precondition for swifter economic and social development as well as internal and international integration.

The federal economic and political institutional structure was put to the test in the time of the profound economic and social crisis during the 1980s. Deep and long-lasting economic crises have a devastating effect on the social and economic institutions in all societies, but even more so in environments with significant developmental and ethnic differences like Yugoslavia. Since the severity of the crisis depended on the regional economic structures and systems of management in individual regions or republics, the perceptions and the resulting demands also varied. This fact gave additional momentum to social polarization and political conflicts, also or especially at the federal level. The political discourse developed more evident characteristics of economic, political or social deprivation, which made the process of finding compromises at the federal level extremely difficult. In the multiethnic community, where economic and social developmental differences corresponded to ethnic divisions, political discussions based on discrimination encouraged political and economic polarization, leading to disintegration and establishment of independent national economic units. Except in Slovenia, the reshaping of national economies was carried out in the middle of war, which, as a result, strongly decreased economic potential and greatly increased the price of final national economic emancipation in individual Yugoslavian republics.

Yugoslavia was a case of unsuccessful economic and political integration. It can serve as an example proving that decentralization politics do not always allow the overcoming of regional political and economic differences in a country, which follow the ethnic diversity. Modern research in the effects of decentralization on political and economic stability in multiethnic countries confirms the divergence of conclusions. The processes of decentralization of political and economic authorities can have completely different effects in multiethnic countries. They can either propel the disintegration or enable long-term stability of a multiethnic state with large regional economic and social differences (Brancati 2006). Integration and disintegration are two processes that cannot be defined unilaterally. Such a process cannot be viewed in isolation, by taking into account only one of its fundamental elements. For example, it cannot be regarded only in terms of an economic factor or in terms of costs and benefits of disintegration or secession in a certain region. Instead, it should be perceived as a complex, multi-layered occurrence with many variables interacting with each other. In such a process, other social backgrounds also prove important besides the economic issues, such as ethnic or cultural identities, political cultures, social values, perceptions of one's own political, economic or cultural position and aspirations on the level of community (Polese 1981, 4–6).

It is especially important to point out four factors which constitute a cross-section in the economic and non-economic factors of (dis)integration in any multiethnic state. The first one includes the issue of cohesion in a multiethnic country. What kind of interest connects the ethnically diverse parts of the state? In searching for the answer, multiethnic states define the ideological form of belonging, which extends beyond the ethnic identity of the population and has an effect of a supranational identity or co-identity. The lack of power and persuasiveness in supranational identity symbolically delegitimizes a multiethnic state. This second factor deals with the question of feeling neglected in the political, economic and cultural sense. A feeling of being neglected or exploited is key in the process of losing legitimacy in a multiethnic state at the level of regions or ethnic groups within the state. The third factor opens the question of a region's capacity for secession. Effective administrative and political control over clearly divided territory of a (potentially) ethnically homogeneous region, combined with distinct equally regional economic flows decreases the political and economic price of disintegration in a multiethnic state. Disintegration does not happen in isolation, but rather in the context of international economic space and international political relations. For this reason, I would like to point out the geopolitical situation as the last item, which can either propel or hinder disintegration in multiethnic states (Zarkovic Bookman 1993, 1–25). Such a moment was the end of Cold War, i.e., the end of the communist regime, which eliminated the geostrategic significance of the Yugoslavian state, so that its dissolution became acceptable even for the international community.

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Pro-Urban Welfare in an Agricultural Country? Economic Nationalism and Welfare Regime Problems of Fit: Lessons from Interwar Romania^{*}

Sergiu Delcea

The isomorphism between nation-states and welfare-states that characterized the “West’s Golden Years” (Clarke 2005) created a false sense that economic nationalism was a mostly historical occurrence, to be neatly associated with protectionism and import-substituting industries, and less so (if at all) with social policy. Yet, while studies of economic nationalism have moved out of this thinking (Helleiner and Pickel 2005; Kofman 1997), and welfare states analysis has outgrown the narrow confines of its “bread and butter” study of inequality (Vanhuyse 2009, 54), for nationalism studies, the welfare state has remained a largely neglected topic (Béland and Lecours 2008, 1). This seems to be a particularly problematic gap as nation-states still represent, to a very large degree, the key locus of difference production (Clarke 2005) as well as for the defining and tackling of inequality.

This chapter contributes to the emerging, though still protracted, literature on the nationalism-welfare nexus. Rather than exploring the main trend that some form of preexisting national solidarity is needed for the construction of a welfare state, I follow a strand of research that argues in favor of welfare states actively *creating* the nation (McEwen 2010). The case study of Romanian social policies from 1930–38 offered here adds to the literature that examines how welfare benefits can be dynamic components of nation-building (see Béland and Lecours 2008), by showing both why and how conceptions of redistribution, which underpin social policies, reflect or embody tenets of economic nationalism. The historical focus of

^{*} I would like to hereby express my sincerest gratitude to Prof. Thomas Fetzner (CEU) for the invitation to join his collaborative work on economic nationalism. Furthermore, I would like to kindly thank for their generous feedback Prof. Thomas Fetzner (CEU), Prof. Pieter Vanhuyse (University of Southern Denmark) and Prof. Dorothee Bohle (CEU). Last but not least, I am also highly thankful for Prof. Julia Szalai’s (CEU) guidance in the elaboration of the Master of Arts thesis from which this chapter is drawn.

this chapter mirrors a recent trend in welfare state studies (Inglot 2008), owing to an acknowledgement of the role of path-dependency (Pierson 2004; Thelen and Mahoney 2010), and allows a better observation of the complicated process through which inequalities have taken on a national form (Kaufmann 2013, 25).

Toward this endeavor, I follow a broad definition of economic nationalism as nation-building in the economic sphere (Lorentz 2006, 10). My main argument is therefore that designing an urban-biased welfare state in an 80 percent agricultural country stemmed from a political ideology of economic nationalism as path to modernization. Ethnicity became the key defining marker of inequality because the change in socioeconomic relationships generated by social policies was intended to create a new politicized social identity (Skocpol 1992, 48): an educated, capitalist, urban middle class that was ethnically Romanian, with the ambition of becoming a backbone of a new Western-inspired, modernized Romanian nation. Interwar Romania is both neglected in the welfare state literature itself (Inglot 2008 does not touch it at all, Vanhuysse and Cerami 2009 provide a shallow analysis, although what is provided by Haggard and Kaufman 2008 is somewhat more developed), and, at the same time, not fully mapped in the economic nationalism scholarship (although interwar Romania has been studied from this perspective, see Neumann and Heinen 2013 as well as Jowitt 1978, social policy has been at best only partially examined). However, interwar Romania represents an archetypal case of isomorphic institutional adaptation in unsettled times, bearing many of the common features of backward, developing countries, but displaying more dogmatic policies of “nostrification” (Kofman 1997; Radice 1986). This permits a better observation of the nationalism-welfare nexus from its very path-starting policy implementation, which in general has not been fully dissected by historical institutionalists (Adascalitei 2012).

This article proceeds as follows: first, an analysis of the literature linking economic nationalism and welfare states; second, the case study itself, with two sub-parts (an intellectual history-style analysis of interwar Romanian thinking about modernization and nation-building, and a more classical policy analysis of interwar welfare benefits); finally, a set of conclusions both case study specific and more general. Before delving into the analysis, a brief note must be made concerning the primary sources—National Statistical Yearbooks and the state-mandated Romanian Encyclopedia—used in this chapter. While using nationally-aggregated statistics means better data availability and better mapping of general trends than policy-specific data, there are certain areas of the analysis (most importantly, an ethnic breakdown of maternity benefits) that suffer from a lack of data, as not all issues of social insurances were high on the political agenda and hence left out of major statistical inquiries. For these few cases, indirect measure-

ments and the few snapshot statistical images that are available shall be incorporated to solidify the main argument of an ethnically targeted poorly fitted welfare regime.

The Nationalism-Welfare Nexus: State of the Art

Much of the welfare state literature acknowledges that, at their core, social policies deal with inclusion, exclusion, and intersubjective boundaries (Ferrerera 2000), and are therefore deeply intertwined with nation-building processes in two main directions: either through a preexisting national solidarity offering a source of legitimacy for benefits that would otherwise cater to “strangers” (Mau 2003, 45), or in the sense that welfare benefits actively create or strengthen social groups that constitute the new nation.

To begin with, analyzing the relationship between preexisting national solidarity and welfare state creation represents, by and large, the mainstream approach. The (re)creation of a unitary national culture offers an answer to the problematic question of “Why care for the stranger?” Through discrimination against the “alien,” doubled by a partial renouncing of individual utility-maximization, state builders or policy makers can develop a more amorphous vision of social justice (such as redistribution, see Mau 2003), which caters to “nationals” and attach a sense of solidarity to this very notion. At the same time however, nationalism studies displays a disciplinary reticence toward economic phenomena (see Béland and Lecours 2008) highlighted by the lack of consistent aggregated analysis of how nation-building processes shape redistribution channels (other than partial breakthroughs via the proxy of citizenship analysis—Laitin 1998 for instance). Part of the problem lies in the fact that the primary disciplinary proxy, economic nationalism, has in general been rigidly conflated with a nexus of protectionism and import-substituting industrialization, in a one-size-fits-all approach that neglects its various multiple vectors of propagation (Kofman 1997, 50). A way out of this impasse, as well as out of the more general reductionist methodological duality of “ethnic-bad” vs. “civic-good” types of nationalism (for a critique, see Brubaker 1996), is to study the national-culture-welfare-state nexus (Pfau-Effinger 2005) from the dynamic perspective of nationalism as discourse and competing projects (Brubaker 1996). This chapter shall follow such an approach.

Inquiring how increased heterogeneity interacts with social policy, the multiculturalism and welfare chauvinism scholarship has partly bridged the gap between nationalism and social policy (van der Waal et al. 2010; Crepaz and Damron 2009). However, this literature has been by and large unidirectional in its exploration of how welfare is enmeshed in institutionalizations of the nation (Clarke 2005, 412)—concluding somewhat pre-

dictably that a shared national identity is essential for the solidarity that underpins modern welfare states (McEwen 2010). A similar research direction, focused not on migration, but on devolution and the centrifugal effects of sub-state nationalism, has unearthed that social policy-making is often central to sub-state nation-building projects (Mooney and Gill 2011). Yet, this line of research has also yielded rather inconsistent results, specifically about the consequences of sub-state nationalism on social policy: in the Canadian case it elevated social insurances as a key component of the federal-national identity (Béland and Lecours 2008), while in the Soviet context the failure of the central administration to make due its promises of universal welfare galvanized nationalistic oppositions within the republics (Chandler 2011).

More “classical” social policy has been equally unidirectional concluding that by and large ethnic heterogeneity hampers the creation of welfare states (Flora and Heidenheimer 1990, 43). The role of nation-building for social policy creation has been so far only touched rather superficially by either this mainstream social policy literature (Cf. Esping-Andersen 1990; Flora and Heidenheimer 1990; de Swaan 1990; Vanhuysse and Cerami 2009; Inglot 2008; Bohle and Gerskovits 2012) or by inquiries into economic nationalism (Lorentz 2006; Kofman 1997; Schultz and Kubû 2008). While scholars are increasingly aware that social democratic thinking has not been the single ideology underpinning social policy (Kaufmann 2013, 76), the formation of social policy has mostly been displayed via power resource explanations or bargaining models (Baldwin 1992; Luebbert 1991; Mares 2003). Broadly speaking this scholarship has noted that welfare states do not safeguard the interests of the poor *qua* poor (Baldwin 1992, 19) and that politicized social identities are created by changes in socioeconomic relationships (Skocpol 1992), but these models struggle with cases when otherwise thin social layers (Esping-Andersen 1990, 33) are exogenously deemed “worthy” (Collier and Collier 1991).

What this literature does not fully capture is that the welfare state seeks to produce a certain cultural homogeneity deemed, in a top-down fashion more often than not, to be *national* (Clarke 2005, 412). This less unidirectional approach looking at how welfare states proactively perform a nation-building function represents the protracted part of the nationalism-social policy literature that this chapter intends to bolster (for instance McEwen 2010). The main contribution is to argue that particularly in unsettled times, which historical institutionalists have shown to be most conducive to elite agency (Vanhuysse 2007), ethnic heterogeneity and a perceived incomplete nationhood can result in a pro-active state stance (Brubaker 1996) manifested through a welfare state that directly attempts to *nationalize* a politically defined socioeconomic group. Bearing in mind the inclusive definition of economic nationalism as nation-building in the economic

sphere (Lorentz 2006, 10), this approach seems to offer better prospects for dissecting the nationalism-welfare nexus. As McEwen shows, this nation-building function consists of either generating solidarity that crosses class or regional group identities (2008, 2010), or proactively using ethnicity as a key marker of redistributing winners and losers (Vanhuysse 2007) to strengthen thin classes that are considered the backbone of a new nation. In their study of sub-Saharan Africa, Béland, Lecours, and Kpessa unearthed a complete fusion between nationalistic ideas and redistribution channels, in the view of ensuring the welfare of nationals exploited by aliens (2011). In the more “standard” cases of Canada and Scotland (Kymlicka and Banting 2006; Béland and Lecours 2008; McEwen 2010), research has unearthed a similar convergence between social democracy and nationalistic ideas. The nation-describing context (Lecours and Nootens 2009) of social policies has also been particularly strong in instances, like Central and Eastern Europe, where the welfare state, as a component of state-building, followed the narrative of nation-building *qua* modernization (Inglot 2008, 56).

Nation-Building and Social Policy Creation in 1930–38 Romania

Interwar Romania perfectly straddles the previously mentioned gaps—it is an understudied case within the social policy literature (specifically in the institutional strand, see Adascalitei 2012), and most Romania-centered historical studies on nation-building have only rarely touched welfare state issues¹ (Jowitt 1978; Hitchins 1994; Roberts 1951). The case study is warranted as Romania is, in many ways, representative of interwar CEE states (with the notable exception of Czechoslovakia): a low urbanization rate, towns demographically dominated by minorities, newly formed nation-states and intense nation-building processes, and the rural-agricultural fabric of the country clashing with a political preference for industrialization (Kofman 1997; Radice 1986).

A coherent welfare state with a “rational approach to poverty” (Enciclopedia României 1938, 519) resulted from the 1933 unification of increasingly voluminous social policy regulations, replacing atomized networks of church- and state-mandated charities. The extent of the welfare

¹ Anders Blomqvist, PhD Dissertation Stockholm University, 2014, *Economic Nationalizing in the Ethnic Borderlands of Hungary and Romania: Inclusion, Exclusion and Annihilation in Szatmár/Satu-Mare 1867–1944*, analyzes economic nationalizing in interwar Romania, following a similar approach about economic nationalism, but offers only a micro-historical case study of Satu Mare and does not focus at all on social policies.

regime misfit in interwar Romania is however more striking than in other CEE states, as the country was 80 percent rural (in reality 90 percent of total active 1930s population engaged in agriculture), with almost half of its urban population being “alien” (Jews, Germans, Hungarians). Hence, believing that the country was not national enough (Boia 2011, 48), a political elite whose rule did not accurately reflect its social strength (similar to Bulgaria, and less so in Hungary, Poland, Czechoslovakia; see Kofman 1997, 57–61), embraced a highly dynamic interventionist stance. This explains why interwar Romanian “nostrification” policies were arguably more dogmatic than in other neighboring countries (Radice 1986, 11), which further justifies the case study, permitting a clear observation of the entanglement between economic nationalism and welfare state creation. Zooming in on 1930–38 is justified by better data availability: as of 1930 the newly established Romanian Statistics’ School started carrying out social inquiries that were not only frequent, but also more in-depth with indicators that are methodologically relevant for social policy analysis.

Elite-agency in the post-World War I “emergency policy-making” context (Inglot 2008) rendered ethnicity as a key marker of social policy since virtually all interwar Romanian political actors shared ideas of modernization through nationalism. Welfare culture and welfare policies were connected via ideas of nation-building thus creating a welfare arrangement (Pfau-Effinger 2005, 6) that did not redistribute wealth in the polity as such, but from well-off “aliens” to a desirable “core” of the new nation. “Westernizing” the nation was a teleological vision, pursued with an isomorphic institutional adaptation (Scott and Meyer 1994) of a political format for which the appropriate social base was missing (Jowitt 1978, 20). The political paranoia of “not hearing a word of Romanian in our towns” (Boia 2011, 52) suggests who was selected—the thin ethnically Romanian urban bourgeoisie. The state-wide expansion of the redistribution channel meant that nation-building in the economic sphere could touch the entire “desirable core” of the new nation.

Who Were the Main Political Actors and How Did They Conceptualize Nationhood, Modernization and Welfare?

Rather than ethnic fractures delaying labor movements and hence retarding welfare state creation (Flora and Heidenheimer 1990, 43), interwar Romania displays rather apathetic labor movements, unlike other comparable countries (Collier and Collier 1991, Haggard and Kaufman 2009). At the same time, although heavily protected by legislation, employers did not garner sufficient leverage to influence social policy formation (in the sense of Mares 2003). A third possible major actor, big business, started to influ-

ence politics only toward the late '30s when the welfare state had already taken shape. This suggests that the major role in welfare state creation was played by political parties that were either in power or contributed significantly to the intellectual canvas of national politics (via their main policy writers or platforms). Therefore, this subsection sets out to map the nationalism-welfare nexus within visions of nationhood and modernization in the narratives of the most influential parties in the interwar Romania. The benefit of this selection is a more accurate observation of political conflicts and ideational clashes (Peters et al. 2005, 1276–79) that warped early redistribution channels.

Alongside older concerns of backwardness, (Neumann 2013, 385–86), the relative deprivation of Romanians in comparison with ethnic minorities such as Jews, Germans, and Hungarians, politically visible via the reports of Bucharest-appointed functionaries in the aftermath of World War I, became the key inequality which interwar parties had to address. A perceived incompleteness of the nation which prompted a dynamic interventionist stance by state- and nation-forgers (Brubaker 1996, 50) in interwar Romania meant that the welfare state was not just a response to the formation of the nation-state (Flora and Heidenheimer 1990, 21), but actively engaged in its creation. This very precise function of social policy became entrenched in the institutional fabric of the nation-state due to the fact that strong actors tend to develop long-range definitions of their interests (Korpi 2006, 76–89), particularly at critical junctures.

The National Liberal Party's (NLP) domineering position in 1922–28 and its stable 1933–37 Tătărescu Cabinet meant that *de facto* the party provided the most important contribution to shaping the institutional framework of the country. Haunted by fears of incomplete nationhood as far as 1936, the NLP saw economic independence as a prerequisite for full political sovereignty (Kofman 1997, 44–86), pushing forward constantly with sheltered industrialization, concentrated almost exclusively in towns. The deep historical inheritance of the NLP's blending of nationalism and liberalism was embedded in the national institutional framework (including the welfare arrangement) through the 1923 Constitution. Essentially Llistian in its spirit, the document, pushed almost single-handedly by the NLP, ascribed a social function to individual rights (Hitchins 1994), ensuring that "national interest" superseded private property and collective security overshadowed the right to strike (Enciclopedia României 1938, 170–201).

This high tolerance toward coercion enshrined policy-making as purely top-down, which means that categories of risk were identified (Mares 2004) exogenously by state-makers, rather than by bottom-up pressures. The worldview of interwar Romanian liberals conflated categories of risk with social groups that fit the teleological goal of a "Western nation"—the urban, educated middle classes. Much like elsewhere in interwar Europe,

Romanian liberals saw their power gradually eroded as they failed to maintain the support of the peasantry (Luebbert 1991). In the words of its highly influential theorist, the “neoliberal” economist Ștefan Zeletin, the suffering of the peasantry was a temporary necessity (see Hitchins 1994, 295) for the nation to breakthrough “on its own” (the NLP credo). This ideological trend seems a common denominator for the NLP in the entire interwar era, as Manoiilescu’s late ‘30s corporatist thinking justifies even further policies of autarky and as a virtual fetish for industrialization, developed out of a perception of backwardness (Hirschman 1968). In addition to being concentrated in towns, new industries were overwhelmingly Romanian, as successive laws not only offered huge subsidies for using upward of 80 percent *nationals* as employees, but also drastically limited the number of possible “aliens” as owners or managers.

The nationalistic concern was also the core of the NLP’s view on education, as Romanian graduates outweighed in growing proportions minority candidates in a higher education system tailored to create bureaucrats (Hitchins 1994). Through continuous expansion of the state apparatus, with the aim of fully nationalizing the state, bureaucratic employment became a goal in itself, creating a social culture where “a university diploma was a life-long claim on the state” (Seton-Watson 1945, 28). The strategy was successful as it did bolster the ranks of the thin ethnically Romanian middle class, but it created a socioeconomic group who believed that “to be young was to be intellectually superior” (Boia 2011, 23) and espoused an unprecedented fusion between questions of national character and the problematization of political modernity (Trencsényi 2013, 344). It is precisely on this background that, once the state could not uphold its promises for modernization and welfare (i.e., once bureaucratic employment stopped expanding), the urban bourgeoisie turned to the Iron Guard’s radical nationalism.

Framed by the stabilized NLP-National Peasantist Party (NPP) duality of the late 1920s (Alexandrescu 1998, 91), interwar Romanian politics was conducted exclusively through the lens of nationalism. Outside of the ideological inconsistencies inherent in its origin as a pragmatic fusion,² the NPP also sought national modernization, albeit through a softer version of economic nationalism-*cum*-developmental economics. Rather than refuting the stage-development understanding of modernization espoused by the NLP, the NPP simply refocused it—backwardness stemmed not from the lack of

² Between the historical National Party from Transylvania and the newer Peasantist Party from the Old Kingdom. Although possessing some commonalities in terms of anti-liberal and anti-centralization agendas, the two parties were effectively brought together by the need to form a coherent adversary to the NLP, cf. Alexandrescu 1998.

a social base required for a “Western-style nation,” but from rejecting the peasantry as the common denominator of the nation (Livezeanu 1995, 10). The “peasant state” was thus not a romantic view of patriarchal rural life, but focused on the rural family’s ability to drastically cut costs when needed. Growth can only be achieved via the existing “core” of the nation, and it is in this line of thought that in the late 1920s the NPP advocated for a new land reform (a plan not at all pursued) and promoted an agenda based on decentralization and moving industries into villages (equally not well pursued—see Scurtu 1982). Although the NPP did succeed in appealing to foreign capital for industrialization, the development of industries followed an ethnic route, favoring Romanian ownership and employees.

Yet, for all its concern with agriculture, the NPP was never a specific instrument of the peasantry in the way the Liberals ascribed themselves for the bourgeoisie (Rothschild 1973, 302). In its 1928–33 rule (with a 1930–31 caveat) the NPP did dilute the impetus of “nostrification” and did generate a limited vertical redistribution, but barely considered legally enshrining welfare benefits for the peasantry (*qua* agricultural workers—see Scurtu 1982). Granted, some ineffective industries were indeed purged and those that helped agricultural output were strongly subsidized (Scurtu 1982), yet the party’s approach of limiting pensions just to bureaucrats (Enciclopedia României 1938, 553–56) also indicates that some observers are perhaps slightly exaggerating a putative “advanced social policy” (Alexandrescu 1998, 284). Furthermore, by picking up NLP and Iron Guard-inspired coercion (most notably against the 1933 Grivița workers strike), the NPP *de facto* continued the blocking of redistribution pressures from the working class.

The teleological understanding of nationhood and economic modernization common to virtually all political parties reshaped the temporal and spatial horizon (as defined by Reinhart Koselleck, quoted in Escudier 2013, 47) of social policies—by protecting just one socioeconomic group deemed a “desirable core,” general modernization of the nation could be achieved benefitting all Romanian society. Despite the fact that in interwar Romania the difference between social and political inequality was not mirrored by the difference between political and social reform (Kaufmann 2013, 62), social insurances did create a sort of societal solidarity contract (Mau 2003, 33), via their full immersion in the nationalizing projects. On the whole, a distinctively Bismarckian influence seems to characterize interwar parties’ conception of the welfare state: anti-proletarianization, urban-biased, and inequality-entrenching, the latter being however politically legitimized by a nationalism-*cum*-modernization ideology.

The mismatch between the Bismarckian urban-biased developmental path of the two major parties and the predominantly rural fabric of interwar Romania was highlighted by King Carol [Charles] II, after his 1930 return to power, who subsidized sociological inquiries into village life to show the

miserable condition of the peasantry (Encyclopedia României 1938, vol. 1, 970–71). Rather than part of some “grand plan” toward the King’s personal dictatorship (Alexandrescu 1998, 91), this attempt to relegitimize the monarchy “for the nation,” was de facto a rhetorical trick to elicit the support of the rising Iron Guard. As far as pro-peasant policy-making went, by breeding political instability King Carol II ensured that the economic prosperity of the latter 1930s became concentrated in the hands of the ruling elites, never sifting down to the lower classes.

The Iron Guard summed up these debates into a maze of religious imagery and radical anti-Semitic nationalism, believing that: “The country is dying because of lack of *Men*, not programs” (Iordachi 2004, 28). In the autobiographical instructions of its charismatic leader, Corneliu Zelea Codreanu, and in the convoluted theoretically-minded writings of its “ideologist,” Nicolae Rosu, the Guard’s “right wing revolution” (Rizescu 2003, 202–3) is less of a coherent ideology (Alexandrescu 1998, 201) and more of a teleological credo in the form of an organically defined nation. Asceticism and “spiritual rebirth” from the rural core of the “nation” were the key coordinates of nationalism-*cum*-modernization for this fascist movement which, albeit never actually holding power in the selected time-frame, greatly influenced the thinking of mainstream political actors. On the vertical axis of redistribution, the Iron Guard promised in a purely demagogic fashion a full land reform and envisioned a state modeled after the patriarchal rural life (Ioanid 2004, 444). For the working class, taking away from “aliens” was obviously envisaged, yet, instead of either a classical welfareist plan or an industrialization orientation, the Legionary movement promised to make workers “masters in their own country” (Ioanid 2004, 442). Other than abandoning the “large industry of capitalism” in favor of “workshops and stores” owned by ethnic Romanians not many other goals were outlined (Ioanid 2004, 442–46).

The teleological overtone of competing nation-building programs embedded a rigid, top-down understanding of progress: more state interventionism toward the artificial protection of industry would create a capitalist economy, which in the “Western nations” seemed to benefit the entire nation (see Harre 2013, 154). Politically involved intellectuals and party thinkers underestimated the role of the individual to the benefit of a collectivist philosophy and a dominant group theory (Neumann 2013, 385), which stemmed from lacing stage-development type theories (Rizescu 2003, 253–54) with economic nationalism *qua* protectionism. The basis for this worldview was the otherwise accurate observation that the nineteenth century imports of Western institutions had, already by the interwar period, created hybrid social results. It is through this reasoning that an ill-fitted welfare state was used toward economic nation-building by merging protectionism and social insurance schemes under an ethno-national shroud.

The overarching problem was that of finding a *nationalized* solution to backwardness, which meant that the relative deprivation of certain nationals became the source of powerful self-induced complexes (Neumann 2013, 384), superseding other inequalities. This overarching frame of thought bracketed the possibility of orchestrating cross-class coalitions, envisaged by the social democratic thinker Șerban Voinea (Seton-Watson 1945, 128) to hold at bay a bourgeois-bureaucratic oligarchy, which treated the budget like its holdings (Chirot 1978). By refuting the defense of the status quo put forward by Zeletin, the main NLP thinker who argued for a stage-based development model, Voinea accurately showed that protectionism essentially locked in backwardness, because the Romanian bourgeoisie, possessing more political power than industrial control, could manipulate industry, but not transform it into a coherent modernization project (Chirot 1978). However, Voinea's theories struggled to convince classes that did not clash, but had sufficiently divergent interests so as to be impossible to coalesce (Seton-Watson 1945, 128). The shallowness of a workers' movement "meant to supersede the capitalist system, in a country where peasantry constituted the overwhelming majority of the workforce" (Rizescu 2003, 215), further blocked the Social Democratic Party's bid for popularity. Voinea's proposals were taken into account even less with the mid-1930s rise to prominence of Manoilescu and his corporatist doctrine with an aggressive Listian overtone (i.e., more so than the general spirit of the interwar parties). Yet, while his impact was not minimal (Roberts 1951, 196), it was also not very pronounced, as his prestige was only later constructed by Latin American observers and Romanian economists in the 1970s and 1980s (Pușcaș and Sălăgean 2012).

Shape and Functioning of the Interwar Welfare Arrangement

Acknowledging the "dependent variable problem" (Pierson 1996), my selection of welfare state components follows the common denominators of most historical inquiries into interwar social policy: health care (specifically sickness), work injury, maternity benefits, and pensions (Flora and Heidenheimer 1990; Inglot 2008, 15). Rather easily available in terms of data-sets (Inglot 2008, 16), the selected benefits will be dissected to uncover the market-exogenous targeting mechanism, implicit in the policy formulation, rather than "quantitative unfairness." The nationalizing rhetoric is expected to be outward in the policy texts and the pro-urban tilting in the social categories, occupations and salary entry-levels selected for state-funded social insurances. The urban bias derives as much from the Bismarckian origin of this rigidly controlled interwar welfare state (despite pressures from below, see Scurtu 1982), as from the entry-level that ensured the exclusion of peasants or peasant-workers.

Despite the legal clarifications and state involvement in supplementing the insurance funds, throughout the 1930s the reorganized Ministry of Work, Social Assistance and Health was the second-smallest in terms of employee size in 1934–35 and had by far the smallest budget in 1937–38, with further contractions being envisioned until 1941 (*Anuarul statistic* 1939–40; for an otherwise CEE-wide pattern, see Kaser and Radice 1986, vols. 2–3). Backing up the ministry was a Central Insurance Fund, set up in 1933, from which all wage earners with a monthly salary lower than 6000 lei³ could be covered, gathering monthly wage contributions from five levels of income and special taxes from employers. The bulk of the fund was spread equally between health care benefits (sickness, maternity) and invalidity (40 percent each according to *Enciclopedia României* 1938, vol. 1, 548) and covered around 600,000 employees in 1933 (by comparison in 1930 there were roughly 4.1 million salary-drawing workers), a number that would grow to over 1,000,000 in 1939 (*Anuarul statistic* 1939–40, 758).

Although state-mandated education is arguably not a welfare benefit it must be briefly analyzed due to its attached value for modernization projects, and its key role as a social mobility vector, creating welfare recipients. A growing need for national elite cadres (Livezeanu 1995, 211), was generally met with a state-funded education system meant to foster cultural homogenization via a single curriculum (*Enciclopedia României* 1938, 476) and, equally important, to erode “aliens” ascendancy in the bureaucratic apparatus (Iordachi 2004, 22) and liberal professions. As the growing number of graduates and state functionaries shows, the interwar state-makers were successful in creating an ethnically Romanian educated middle class, yet one made up, almost exclusively, of intellectuals and civil servants (Seton-Watson 1945, 124), favoring state-employment rather than risking entrepreneurship (Iordachi 2001, 163). This explains for instance why in 1930–37 the Romanian Parliament consisted of 40 percent lawyers and barely 15 percent large landowners (Hitchins 1994, 382). The nationalizing trend is also rather clear as the 1930s saw a yearly 10 to 15 percent drop in minority university enrollments in Law, Literature, Philosophy, History, Medicine, and Agronomy (*Anuarul statistic* 1938–39, 255–63).

With a politically constructed prestige, humanities departments essentially mass-produced bureaucrats, and totally dominated the educational landscape of interwar Romania. The few graduates that did come out of an underdeveloped technical sector (*Anuarul statistic* 1938–39) rarely returned to the villages which the Governmental plans neglected (*Enciclope-*

³ One-sixth of the highest salary for top-ranking bureaucrats, but higher than the lower-ranked civil servants who represented 76 percent of the total functionaries (*Anuarul statistic* 1935–36, 22).

dia României 1938, 514)—for instance in 1938 barely 10 percent of medics worked outside urban settings (Enciclopedia României 1938, 513). Further deepening the urban-rural cleavage, these circumstances ensured that peasants were confined to low-skill jobs, from which they could revert back to agriculture (Gerschenkron 1962), thus essentially freeing policy makers from setting up nationwide unemployment schemes, as “agricultural workers” were by law outside the coverage of the welfare state (Enciclopedia României 1938, 459). The decline of unemployment in the late 1930s as well as that of strikes is thus not a great marker of successful industrialization, as many simply reverted to quasi-subsistence agriculture, outside the welfare safety net.

As economic insecurity inevitably bred cleavages (Mares 2004), nation-makers resorted to status-maintenance to institutionalize middle-class loyalties (Mau 2003, 189), in this case defined through an ethnic lens. In its function of mediating socioeconomic cleavages, the interwar Romanian state was thus not at all neutral (Inglot 2008, 25) and resorted to protected groups that fulfilled both general *nationalizing* functions (Brubaker 1996), and immediate concerns of holding power (i.e., rigging elections). This explains why the prime targets were bureaucrats, as in all CEE states at the time (Szikra and Tomka 2009) a state constitutionally enshrined as *national* needed to have a purely Romanian apparatus, and Cabinets formed by prime ministers appointed directly by the King, required manufactured majorities.⁴ It is in this logic that otherwise low entry-level wages were made appealing to Romanian graduates via prestige constructions, as well as more concrete levers such as easy upward mobility, employment stability and welfare benefits. In addition, state-employment was insulated against shocks—bureaucrats experienced only moderate drops in incomes during the 1929–33 Depression—and more specifically Romanian ones saw continuous revenue, unlike civil servants from minority groups (Berend 1986, 167).

Pensions were the most visible case of welfare state targeting along the axes presented thus far (Enciclopedia României 1938, 553–56). While nationwide statistics do not provide an ethnic breakdown of pensions, the creation of an ethnic bias can still be gleaned from the context—as the nationalizing process went deeper, “Old Kingdom” bureaucracy, overwhelmingly Romanian, took over the regional state apparatus, becoming very hard to displace and blocking minorities from easily reentering the system. Con-

⁴ Just one intriguing example is the very high wages of the Ministry of Interior, where two-thirds of employees earned in the highest wage bracket, while only 20 percent of employees at the Ministry of Education—which was three times larger and equally important for nation-building—were on the highest level (Anuarul statistic 1935–36, 20).

versely, the urban-bias of the pension system is clearly observable, on its two basic levels, in interwar data: firstly, limited coverage—legal provisions ensured workers were not covered (Enciclopedia României 1938, 552–56); secondly, even within the established system there was an almost three-to-one ratio of urban to rural bureaucrats with a two-to-one salary difference along the same line (Anuarul statistic 1935–36, 19–22). Even when opting for private pensions—a limited option in most cases—state-employees were still required to pay a monthly 10 percent wage contribution to the National House of Pensions, which also received generous state funding for the first part of its existence. This again highlights, in a context of declining state expenditure (toward the late 1930s) and growth of personnel, the key political role of bureaucrats throughout the 1930s in Romanian politics.

The targeting mechanism, particularly of accident compensations, highlights an ethnic bias, as the legislation carefully differentiated between bureaucrats, overwhelmingly nationals as presented earlier, and other salary drawers both in terms of entry conditions and of what was actually offered. An injury severe enough to make a bureaucrat incapable of public service, if directly caused by the duties of the job, generated a pension of 40 percent of contributions (with 3 percent yearly increments, for the first 10 years), which could then be coupled with any other kind of salary (i.e., non-civil service). In case of an accumulation of several pensions, the highest one would always supersede (Enciclopedia României 1938, 494), which effectively only helped bureaucrats as they were the only wage earners that could access multiple pensions. When a civil servant was rendered incapable of any kind of future employment, after passing a rigorous control (with both personal doctors and those appointed by the House of Pensions), the invalidity pension offered was extremely high—at least 75 percent of the last salary. By contrast, non-civil service insurance recipients only needed a personal doctor's confirmation of total loss of work capacity, and received a maximum pension of two-thirds the insured salary (which was always lower than the actual salary).

Extensive work was put into “social diseases” that needed to be “cleansed” (Enciclopedia României 1938, 490–500) and the phrase “growing” the nation appearing time and again in the legislation of the period, further highlighting the very clear nationalizing aim of health care benefits and, by extension, the welfare state. Regarding maternity, the nationalistic aim is expressed outright in the legislation: the protection of mothers and children are a priority for “the normal and healthy development of the nation” (Enciclopedia României 1938, 525). Not only did the legislation target *nationals*, but the state also actively engaged in ensuring that the possible pool of benefit recipients were ethnically Romanian, by offering successive subsidies and/or tax deductions to firms who passed a certain threshold of employed Romanians. This is why other measurements such

as the ratio of hospitalized *nationals* to *aliens*, in a context of a constant 10 percent yearly growth of overall social insurance recipients from at least 1936 until 1939, indirectly also depict an ethnic bias of the welfare state. State expenditure on medical assistance rose rather sharply from 1934 until 1938 (Enciclopedia României 1938, 550), with 53 percent of days of hospitalization insured in the late 1930s and nearly 30 times as many days billed to the state rather than to private insurance companies (Anuarul statistic 1939–40, 211). Even if one were to factor in suppositions that better off minorities had better food and living conditions and were hence less prone to diseases, the trend is continuous and way outside other demographic proportionalities: almost 50:1 Romanians to Hungarians in 1933–35 and 60:1 in 1937 in a demographic balance of roughly 10:1, 25:1 Romanians to Jews in the same 1933–37 time span (with a demographic ratio of 15:1) (Anuarul statistic 1939–40).

In contrast with ethnic targeting, the urban bias of either pensions or health insurances is not directly expressed in the legislation, but is visible in the ruling elites' rhetoric which links modernization, nation-building, industrialization, and urbanization. With mortality rates topping the European charts (Hitchins 1994, 336) and an urban-biased distribution of medics (1:15000 rural versus 1:390 urban ratio of medics contrasting with a 4:1 demographic domination of villages; see Enciclopedia României 1938, 490), by 1938 Romanian authorities surmised that "if we were to judge exclusively by the high numbers of doctors in towns, we could say that we have attained at least satisfactory elementary coverage" (Enciclopedia României 1938, 513). In this line of thought, it is no surprise that mortality was significantly reduced in towns, accompanied by an increase in hospitalization days and medical presence. By 1938 only 21.7 percent of all urban deaths occurred without any medical presence compared to the 68.3 percent deaths in villages (Anuarul statistic 1939–40, 144). In terms of maternity-related benefits, the contrast is almost abysmal: over 20 times as many births occurred in hospital or with medics in towns and 1.5 times more births benefited from qualified assistance in towns than in villages (Anuarul statistic 1937–38, 120)! While not fully attributable to social insurances, this can be safely assumed to be the result of better access to medical facilities regardless of insurance status.

As capitalism penetrated interwar Romania it enslaved the peasantry even more (Chirot 1978, 41) via a welfare arrangement that locked out 78 percent of the active population from anti-poverty safety nets in 1937 (Hitchins 1994). Politically this was legitimated by teleological visions of nationhood and stage-development theories that identified the peasantry not as a desirable "core" for the nation, but rather as a potential source for social turmoil. Although in the early 1920s the "peasant problem" was an acutely debated topic on the intellectual canvas on the country (particularly

through the works of Constantin Dobrogeanu-Gherea, see Love 1996), in the political arena mainstream parties approached land reforms and rural economic recovery first and foremost as anti-communist prophylaxis (Rothschild 1973, 291) in a political context which almost never stopped pushing for industrialization at the peasantry's expense. Already by the mid-1930s numerous authors blamed the post-World War I land reforms for the agricultural ruin of the country particularly in the cases where these reforms had taken on more radical forms (such as Romania and the interwar Yugoslavia, see Berend 1986, 203). Notwithstanding these perceived dangers, even at the height of its pro-peasant orientation in the early 1930s, the Maniu Cabinet of the NPP barely dampened the popularity of pro-industrialization economic nationalism (Kofman 1997, 79), and despite their 1927 call for a new land reform, when in power, the Peasantists generally resorted to other anti-Depression measures such as cost reductions, debt conversion, and market monopolization.

The 1921 Romanian Land Reform, radical in terms of land reallocation, but less so in terms of compensation, was highly effective in breaking up large estates owned by the minorities (particularly in the newly acquired Transylvania and Bessarabia) and further ensured *national* proprietorship through very strict laws covering reselling the newly gained land. This succeeded in dampening post-World War I social tensions (Roberts 1951, 20), but at the cost of creating an economically unsustainable fragmentation of estates—by the early 1930s the small three to ten hectare plots that the Land Reform envisaged as the future backbone of Romanian agriculture, but which in reality were ill-suited to promote wealth accumulation, had grown to represent more than half of the total number of properties (Roberts 1951, 50–51) due to a demographic boom and tight reselling regulations. The slightly increased health conditions toward the latter 1930s do show a limited trickledown effect, but it is in general not surprising why the Iron Guard's nationalistic vision found strong roots in interwar Romanian villages that were all but excluded from the modernization project.

Despite the concerted state effort, in absolute figures urban growth was modest, actually dropping in percentages from 20.1 percent in 1930 to just under 19 percent in 1938 (Anuarul statistic 1939–40, 142–43). This is why the 1936–38 growth in social insurances of the upper-middle categories of salaries (Anuarul statistic 1939–40, 758–60) must be read contextually: said growth only meant that urban elites were better off, as the availability of a cheap rural labor force combined with unclear administrations effectively ensured that the employer had huge leverage over the workers and thus easily kept wages down in villages (Seton-Watson 1945, 136). On the other hand, an urban-biased accumulation of resources was clearly present—by 1937, 57 percent of all industrial capital was held by 3 percent of

corporations (Hitchins 1994) and by 1938, the capital's production was 17 percent of the whole country (20 percent if adjacent settings are factored in).

Conclusion

Broadly speaking, this case study has provided empirical evidence that the relationship between nationalism and social policy can be mutually reinforcing (Béland and Lecours 2008, 209) because of a co-constitutive relationship between agency, structure and process (Lawler 1997). Above and beyond providing safety nets for exogenously given at-risk citizens, elites do proactively shape the political arena by reconfiguring distributions of winners and losers. Sharing in common the teleological vision of a "Western capitalist nation," interwar Romanian ruling elites created an ethnic (more precisely ethnic *and* urban) status as the centerpiece of a top-down strategy for modernization and economic progress, which relegated the market-defined inequalities (i.e., the dire situation of the peasantry) to an inferior position on the political agenda. Backed up by specific political ideologies this reconfiguration creates a welfare state with a coherent mechanism of modifying socioeconomic structures and which also performs a system-legitimizing function.

Nationalistic elites generate a particularly powerful impetus for social policy expansion, in both early and late industrializers. The emphasis on solidarity derived from nation-building narratives means that welfare states do more than prophylactically tackle poverty as a collective action problem (de Swaan 1990, 3)—they strengthen exogenously given social layers (that are often actually rather thin, see Esping-Andersen 1990), by reinforcing allegiances to the state as a nation-state. On a very broad theoretical level this explains why rather than ethnic fractures delaying labor movements and hence retarding welfare state development (Flora and Heidenheimer 1990, 43), perceived relative deprivation on ethnic grounds can act as a catalyst for social policy creation. For late industrializers in particular, the fundamental market-correcting aim of social policy (Mares 2003, 24) is refracted more often than not through an ideology of nationalism *qua* modernization. This occurs because welfare states are not *deus ex machina* market correcting mechanisms (Kaufmann, 2013, 1), but political responses to market failures, refracted in general via political ideologies.

At the same time, as this case study has argued, the welfare state is not only legitimizing the nation-state via solidarity, it is also proactively producing the nation (Clarke 2005)—a "desirable" new politicized social identity generated by a change in socioeconomic relationships (Skocpol 1992). The Romanian example shows how the convergence of an ethnic targeting with

an urban bias within a misfit welfare regime did create a bourgeois middle class, but one which acted like a bureaucratic oligarchy. Consequently, once growth became dependent on providing benefits for neo-corporate groups (Seton-Watson 1945) within a “status society” (Jowitt 1978) and its top-down prestige conferred onto state-employment, seen as secure and “logical” but not easily available anymore, the new middle class left out of employment becomes greatly disillusioned with existing political elites. Disenchanted with mainstream politics, this new social stratum, on the basis of its own nationalistic rhetoric, turned to supporting the Iron Guard—thus explaining the gradual rise of this fascist movement and how its popular support outgrew its original rural core.

On a broad theoretical level, this chapter shows that entrenching a set of institutions, like the nation-state, is as much an intellectual exercise as it is one of politics and economics (Scott and Meyer 1994, 64). In this sense the interwar Romanian welfare state exhibits rather clearly that on top of nationalism providing the overarching discursive legitimization for social policies, the benefits themselves are politically orchestrated so as to proactively (re)create the nation. Adding this political logic highlights the shortcomings of previous functionalist explanations for problems of fit and helps understand precisely how the isomorphism between welfare state and nation-state was constructed (Clarke 2005).

In a long-term sense, this tightly interwoven relationship between welfare states and nation-building also relates to parts of the path-dependency scholarship that argues initial policy choices matter most when they form a coherent mechanism rather than a mere accumulation. Furthermore, nation-building itself is not static, but a constantly ongoing process that can rarely be correctly assumed “completed” (Béland, Lecours, and Kpessa 2011). What this suggests is that the variable effects of sub-state nationalism on social policy (thus far not very well explained by mainstream nationalism-welfare research) can, at least in part, be attributed to different timing of welfare state creation (Béland and Lecours 2008), which, as hinted above, generates diverse patterns of institutions and/or vested interests. This can be particularly relevant in multinational states (Canada, Belgium, the UK, etc.), where state- or federal-level social policy has attempted to create a form of class solidarity that cross-cuts regional identities (McEwen 2010).

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Nationalizing Consumption: Products, Brands, and Nations

Oliver Kühschelm

Looking at how consumption and nationhood have been approached in mass media discourse since the 1990s, one will find that they were not usually considered to be related. In a typical assessment of how affluence and mass consumption altered society, the sociologist Gerhard Schulze (1992) diagnosed the arrival of a thrill-seeking society beyond older loyalties, among these fealty to the nation. The breakdown of the communist bloc in Eastern Europe—and especially the collapse of the GDR—was viewed as a consumer revolution by many commentators.¹ In some former communist countries, nationalism made a comeback, but it was widely regarded as an atavistic force at odds with the contemporary view of “the free market” as the panacea for all economic and social problems. Prominent sociologists assumed the development of ever more uniformly Western, Americanized, and globalized consumer habits (Ritzer 1993). In short, whereas consumption was conceptually associated with the idea of an increasingly global market, nation-states were held to be waning presences, for which the consumer-centered economy did not have much use anymore. Nationalism remained a threat, but was hopefully limited to the fringes of the European and Anglo-Saxon world.

Mass media discourse contributes to shape the sensibilities of researchers, and this may be among the reasons why studies in the history of nationalism and studies in the history of consumption for the most part have not made use of each other's expertise. Furthermore, the historiography of nationalism has dedicated the largest part of its attention to the formative phases of nations. It has shown less interest for periods where the nation seems an unproblematic given, backed up by a nation-state. Researchers have also privileged spectacular events over daily routines, and the political over the apparently private (Edensor 2002). Constructivist perspectives that highlight the role of the nation's symbolic dimensions have allowed for the topic of consumption to make some inroads into the historiography of

¹ This impression was soon included into historical accounts, see Maier (1997).

nationalism. However, it has remained a side issue in this historical sub-discipline, which was already well-established in the 1980s.²

Since the 1990s, the history of consumption has also grown into a flourishing field of research (Haupt and Torp 2009; Trentmann 2012). Among other aspects, the relationship between consumption and nationalism has been given some attention. Still, works in the history of consumption have mostly decoupled a concern with developments in retailing, the promotional system, and lifestyles from considering how they were shaped by nation-states. Consumption can be described as private choices mediated through the market, but one should not miss the extent to which state measures determine who can consume, what is consumed, and under which conditions (Berghoff 2012). Therefore, the nation, the state, and consumption are intimately related in all heavily industrialized societies.

This chapter will approach the “state-nation-consumption” triangle by asking how it has been staged in product communication. The communicative actions around products and services create links between consumer goods and some nations, which at the same time contribute to making these nations consumable items (Kühschelm 2012). I will outline this broad field of research, but deal mainly with the twentieth century and draw heavily on my own research about Austrian brands and buy-national campaigns. In the first of six sections I will introduce four basic concepts (Section I): consumption, the nation, “nationalization,” and product communication. I will then explore the distinction between “we” and the “others” as fundamental for the symbolic nationalization of products (II), followed by a discussion of nationalizing product communication as a banal and ironic form of affirming the national (III). I will ask whether nationalizing propaganda really matters to consumers (IV), which will lead to a reflection upon the ways in which the economic, the political, and the cultural are interrelated in nationalizing product communication (V). This section will also elaborate on the factors that contribute to the high or low intensity of nationalizing product communication, leading to a short concluding section (VI).

² See the *Sage Handbook of Nations and Nationalism* (Delanty and Kumar 2006) and the *Oxford Handbook of Nationalism* (2013), edited by John Breuilly. The latter includes but one article about “national identity and everyday life.” It is neither very long nor does it even use the word “consumption” and instead follows Billig (as well as Benedict Anderson, Karl Deutsch, etc.) in focusing on the aspect of communication.

I. Basic Concepts and Lines of Research

People have always consumed. They have eaten, clothed themselves, used and shared all sorts of objects, even bartered things. They have attached symbolic meanings to things. The line between the usefulness of an object, in a technical sense, and its symbolic value was blurry long before contemporary advertising. And yet the social technique of advertising represents several turns of the screw in the mediation of technical and cultural values. A fully-fledged promotional system comes along with a society where commodity consumption—the acquisition of products through markets—has gained a central place. This is the historic form that can be called consumer society (Sassatelli 2007, 41–50). England in the eighteenth century showed many of its characteristics, one of them being the appearance of branded goods. But it was not before the late nineteenth century that mundane commodities became heavily marketed and widely distributed brands, first in the United States and then parts of Western and Central Europe. At about the same time public discourse began to knit together consumption and citizenship. In the first decades of the twentieth century, the US evolved into a mass consumer society. People of all social strata now bought consumer goods beyond immediate physiological needs on a regular basis. After the economic boom of the 1950s had initiated the “age of affluence” (Judt 2005, 324–53; Kaelble 2007, 87–118), most European countries as well as Japan caught up with the US. Not incidentally, societies of mass consumption have been supported by an interventionist state that grants a varying but substantial portion of services, enables consumption through redistributive measures, and regulates it through laws, taxation, tariffs, and so on. Although private enterprise produces most consumer goods, for every economic branch—from food to cars to telecommunication—the state provides crucial infrastructure, sets the rules, promotes national champions, creates incentives, and constructs barriers. Consequently, the experience of consumption cannot be separated from the experience of the state, and both have referred citizen-consumers to the nation.

“Modernist” accounts of nationalism have emphasized that the nation serves as an antidote against insecurity fueled by processes of disembedding (Özkirimli 2010, 72–142). Constructivist approaches concerned themselves with analyzing the nation as an “imagined community,” to use Benedict Anderson’s term (2006). It highlights the paradox that a very large association of people can command an emotional investment comparable to the affective involvement in small groups, where closeness is actually experienced and not merely in a metaphorical way. However, the nation is but one of the “essentially contested concepts” that lends itself to community-building on a large scale (Lorenz 2008). What seems dis-

tinctive about nationalism is its combined claims to a common cultural identity and to state sovereignty. This is also what distinguishes modern nationalism from earlier concepts of national community (Breuilly 1993). State sovereignty is crucial whether it is yet to be achieved or has already become the administrative and civic basis for the further “nationalization” of society.

In economics, this term signifies the takeover of companies by the state. In German, the notion has a distinctly nationalist connotation, which English lacks since there does not exist an equivalent of *Verstaatlichung*. All the same, it is not the question of state ownership that I want to address here but a symbolic practice. The nation is in a continuous process of “nationalizing” rather than a historic fact that once established, continues its existence. If we do not take the nation as synonymous to the state, defined as an administrative entity, its social reality relies on ever-renewed material and discursive practices that see a national dimension to many aspects of daily life.

These practices often involve branded products. Hence they can be regarded as a variant of product communication, a concept introduced by the German historian Rainer Gries into the study of the history of consumption (2008; 2011). It centers on the product as a sign or medium of communication. Consumer goods help to bring about interactions between many different actors. Advertising is a conspicuous part of product communication but the concept goes beyond this particular form. It encompasses all communicative actions in which products play a vital part. Most of them are performed by consumers and address other consumers. They are not relayed via mass media but embedded in face-to-face communication, on which producers have no direct hold. While the concept opens up a broad horizon for research, it remains true that nationalizing product communication is most easily accessible when it takes place in the mass media. But even within this arena, advertisers and their corporate clients are not the only actors that matter. A large and influential part of product communication is journalistic content. Although journalists and the mass media may go along with advertised meanings they have their own agenda and often a distinctly nationalist perspective.

By centering on nationalizing product communication, research can follow different lines of inquiry. One option is to investigate on individual products. Any product can be nationalized when it is integrated into a pre-existing web of national symbols. However, only a few “iconic brands” (Holt 2006) become themselves such a prominent part of this web that they are used to nationalize other discursive elements. Adopting one of Pierre Nora’s definitions of a *lieu de mémoire* (Nora 1992, 20), we can say that as a result of continuous effort and through the process of time, these brands have achieved an iconic quality that makes them symbols of the

nation in their own right. As soon as one takes an interest in a wider range of products that are “nationalized” in a more casual way or with a less than lasting success, the perspective changes to a second field of research. Following this approach, one must now ask to what degree product communication on the whole becomes nationalized and which circumstances favor a high or low intensity of nationalizing product communication. The symbolic nationalization of the product landscape matches easily with the goals of buy-national campaigns, which are a third possible line of research. Buy-national campaigns aim to direct consumer preferences toward national products over imported goods. Depending on their radicalism and determination, such campaigns aim at the partial or total nationalization of consumption—in this case, it means the elimination of foreign goods from the national market.

II. “Us” and “the Others”

Any nation distinguishes between those who are part of the community and those who are not. Buy-national campaigns often carry the distinction to extremes. The advocate of a buy-Mexican campaign, organized under the auspices of the government during the early 1930s, devised a “Nationalist Decalogue.” By its mere form it infused the idea of patriotic consumption with a sense of religiousness. The “ten commandments” roughly followed the daily routine of a male citizen: When getting up, he should remind his wife and servants that all food served during the day should be Mexican. Getting dressed he should choose only clothes made in Mexico. Smoking the first cigar of the day, he should remember that the best tobacco was from Mexico. The tenth commandment, finally, pointed out that consuming foreign products was a “crime of high treason” (López Victoria, 34–37).

Obviously, the discourse of patriotic consumption was forcefully gendered. While the “Nationalist Decalogue” addressed male citizens, buy-national campaigns of this time usually viewed women as their primary target. They pitched male producers against female consumers. The patriotism of producers was taken for granted, but women had to be educated in the national duties that inhered in the so-called power of the shopping bag. Women were dubious members of the national “We.” They were considered as liable to seduction by imported products, which was tantamount to betraying the national cause.

The massive buy-Mexican campaign went along with anti-Chinese resentment, similar to the anti-Asian and anti-Japanese bias of contemporaneous buy-American campaigns in the US (Frank 2000, 73–77). In this and other cases, the imaginary enclosure of national consumption did not stop at excluding foreign products. Another aim was to reduce (or elimi-

nate altogether) the presence of foreigners, immigrants, and ethnic groups who were considered as an alien element and hence detrimental to the nation. In Central Europe, calls to buy national in the late nineteenth century often showed anti-Jewish prejudices. This sometimes led to aggressive boycotts, most notoriously in Nazi Germany. However, the Nazi regime did not have to invent this practice—it was well established before the National Socialists came to power (Ahlheim 2011).

In his reflection about national product promotion (*Nationale Warenpropaganda*) the secretary general of a Swiss buy-national campaign explained:

Abroad the “national” immediately loses its sentimental, civic-patriotic meaning. Supporting exports through propaganda addressed to foreigners, which promotes our industrial products, is an economic-commercial matter. Abroad they do not buy our watches as an act of solidarity but because they are good [products]. National product promotion ends before the gates, at the border. (Steuri 1940, 9)

True, buy-national campaigns cannot extend their reach beyond the imagined community of their own nation. But not incidentally, the institutional bodies that conduct buy-national promotion are often closely related with others that specialize in export promotion, which forms part of public diplomacy as an outward-oriented reputation management.³ The obvious example of a country projecting its image abroad with the help of consumer goods is the United States, which in the twentieth century could rely on brands as ambassadors of their home country (De Grazia 2005). It worked in both directions, though. As a Swiss advertiser explained in 1931: “The American branded article gives us a better understanding of America than even the best history lesson could do. Ovomaltine, Switzerland Cheese and the Peter-Chocolate have contributed more to make Switzerland known and respected than the most accomplished diplomat could ever achieve” (Guggenbühl 1931, 217). This reserves a significant role for large corporations in shaping the image of “their” nation among foreigners, which then has repercussions on nationalizing discourses at home. This can be an attractive prospect for small countries with limited resources to engage in public diplomacy (White 2012), but it puts companies in an advantageous position vis-à-vis their country of origin. As always, outsourcing public tasks raises questions of accountability that discourses about a public-private partnership in nation branding tend to neglect (Gienow-Hecht 2012, 78–82).

³ See Glover (2011) and Kadelbach (2013), whose studies show export promotion as a part of cultural policies that aim at building up the image of the nation.

Export promotion and nationalizing product communication that targets the home market converge in their use of an important promotional tool: emblems that identify national products. Moreover, they widely employ national imagery to foster a positive feeling about the nation, be it one's own or those of others. The marketing literature on country-of-origin effects shows that the assessment of product quality is often a metaphorical process: ideas about a given nation are projected on the product in question. Conversely, products can "nationalize" their environment. The presence of Coca-Cola Americanizes any setting in the sense that it will add connotations of American consumer culture. Therefore, in many respects, discourses about products as symbols of a nation's character and skills do not stop at the national border.

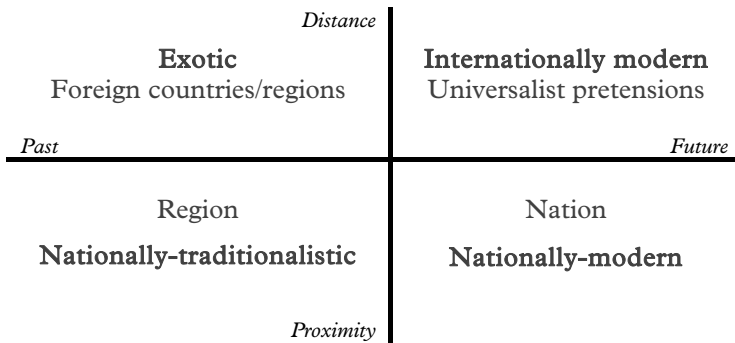
Admittedly, even if a brand has achieved iconic status far beyond its own national community, it makes a difference whether the participants in product communication belong to the national "we"-group or not. In many countries around the world, IKEA sells furniture and a lifestyle with a vaguely Swedish touch, but what abroad is perceived as the brand's embodiment of middle class modernity, in Sweden itself retains a connection to the metaphor of the socially inclusive *Folkhemmet* (Löfgren 1995). Its administrative side consisted of stipulating norms for the building and furnishing of social housing, which paved the way for a nationally standardized homemaking culture (Hård 2010). These conditions favored large producers such as IKEA or Electrolux. They also made the Swedish interior market an ideal launch pad for expanding into foreign markets.

Companies whose products attain popularity abroad like to point this out to consumers at home because it enhances the stature of their brand. Buy-national campaigns draw on the same mechanism when they remind citizen-consumers: If foreigners who do not have a patriotic motive to buy "our" products appreciate their quality, "we," too, should worship the achievements of "our" producers.

Bringing into play the (imagined) recognition by relevant "others" is a nationalizing strategy that in equal measure relies on and bridges the opposition between "us" and "the others." However, nationalizing rhetoric often emphasizes difference: It tells consumers what "we" are as opposed to what "the others" are. A third strategy consists of turning one's back to all foreigners because they are beyond the outer border of the relevant national essence. Claims of nationalist substance tell consumers who "we" are because of what "we" are held to be at "our" core. Instead of appearing in an isolated form, these strategies are rather employed as ingredients of complex messages. The idea of a national substance will eventually lead to contrasting "us" and "the others," while this opposition in turn cannot do without essentialist ideas of the nation. In either case, it quickly becomes important what foreigners think about "us"—and "our" products.

In order to investigate different possibilities of how products are positioned with respect to the nation, to “others” and the non-national, a diagrammatic scheme by market researcher Helene Karmasin can serve as a conceptual guideline. She distinguishes between four brand-worlds according to the concepts of space and time that they embody (Karmasin 1998, 525–36). Brands are located along the x-axis according to their affinity to the dimensions of past and future, whereas the y-axis positions the brand according to distance (Large Scale) and proximity (Small Scale). If we ascribe the opposition between national products and markedly non-national products to the y-axis, the model creates four fields related to the question of nationalization (see Figure 8.1).

Figure 8.1. Brands and the nation—a four-field model



“Traditionalistic” products represent what is well-known since childhood, what seems to have never changed. They offer comfort in a rapidly evolving world and respond to a nostalgic longing for a patriarchal homeland (*Heimat*). They are often tied to the idea of a national landscape, not yet touched by industrialization and urbanization. “Exotic” is any foreign object to which the members of a given community ascribe an aesthetic quality. The notion is connected to the concept of tradition, however, from the vantage-point of the foreign. The “exotic” is an unthreatening match to the “traditionalistic” variant of the national, whereas the universalizing character of modernity defies the self-concept of the nation. “Modern international” products, which symbolize modernity and technological progress, break up the national frame of reference and create links to other highly industrialized societies. Examples are Coca-Cola, Red Bull, Nike shoes, the Sony Walkman in the 1980s, and the iPod in the 2000s, Benetton clothes, Apple computers, or German car brands like Mercedes or BMW. In principle this category of product is not bound to a particular place of origin. However, in the twentieth and twenty-first centuries, capitalist modernity has been strongly associated with the United States. To sell an interna-

tional and cosmopolitan image often means to emphasize the product's role in the American lifestyle. Yet another category are "nationally modern" products. They combine the allusion to their national origin with a claim of modernity. This field of the model deserves special attention because it runs counter to the construction of a national essence identified with seemingly age-old traditions. The nation is an intrinsically competitive concept well in line with the priorities of capitalism (Greenfeld 2001), and catching up with the most industrially advanced nations is a crucial concern of nationalizing product communication. Practices and discourses may emphasize the autochthonous way of getting to where the leading nations in matters of industry and consumer lifestyle already are, but the goal of catching up is compatible with a much wider range of strategies. This includes positive references to foreign values and achievements, cooperation as well as competition with foreign investors. National manufacturers can dress up their products as embodiments of American-style progress, while foreign companies or their local subsidiaries fashion their brands as an organic enhancement of the nation.⁴ Nationalist discourse can even positively incorporate foreign products by virtue of their foreignness. In the communist countries of Eastern Europe, the desire for Western brands sometimes fused with nationalist animosity against Soviet domination, which was clad in the guise of socialist internationalism.⁵ In post-socialist countries during the early 1990s, Western goods represented the longed-for European "normalcy." In Estonia, imported goods seemed a better fit for the newly emancipated nation than domestic products, which were still tainted as Soviet (Rausing 2004, 70–78). Later on, in many countries a symbolic preference for national products reestablished itself to some degree (Althanns 2009; Todorova 2010).

III. The Nation as an Empty Signifier: The Banal and the Ironic

From a nationalist perspective, the nation is the lynchpin by which one can understand what is going on in the world and where the world is heading. In semiological terms, this means that the nation assumes the position of a transcendental signifier, fixing a continually floating chain of signifieds (Sarasin 2003, 164–72). But paradoxically, a closer look reveals the converse of this singular status: The signifier is empty or rather has to be emptied in order to fulfill its role (Laclau 2007). The problem of the transcendental signifier consists in that it makes a promise it cannot hold; at least

⁴ For an interesting study on Mexico see Moreno (2003).

⁵ For case studies in the Americanization of Central Eastern Europe see Herrmann (2008).

not if we are making the concrete offers of the transcendental signifier an object of rational scrutiny. However, on a more practical social level, on the level of creating imagined bonds that inspire actions, we all experience that the promise often works. The nation is nothing if it is just an abstract concept. So how does the nation become real?

In the twentieth century, no product achieved this better than the passenger car (Edensor 2004; Koshar 2004). The development of mass consumption societies everywhere led to the spread of privately owned automobiles. A prestigious and coveted consumer good, the car was integrated into the daily routines of millions of people. The nationalizing dimension inscribed in such practices of consumption is an example of what Michael Billig has called “banal nationalism” (Billig 1999). Indeed, the omnipresence of the nation, which makes it such a banal fact of everyone’s life,⁶ is heavily indebted to consumption and the communicative actions that precede, accompany and follow each act of consumption.



Figure 8.2. “Popular in the whole world.” Promotional calendar from 1966
(c) Josef Manner & Comp. AG.

⁶ Cultural anthropology has long been perceptive to this aspect of nationalism. See, for example, Kaschuba (1995); Löfgren (1995).

Consumption is not only banal—its representation often borders on the ironic. Let us look at an Austrian brand that has achieved the status of a national symbol: The Josef Manner Company produces sweets, most famously hazelnut wafers. It uses Vienna's St. Stephen's Cathedral as its logo. It connects the wafers with a sight that is located at the center of the Austrian capital city and often serves as its visual shorthand. In 1966, Josef Manner issued an advertising artifact that featured flowers as an affordable luxury (see Figure 8.2). Together with the oversized hazelnut package, the whole arrangement evoked a gift basket. Although the Manner wafers never sold well on foreign markets, the claim read: "Popular in the whole world." We have good reason to think that the communication was not only concerned with the status of hazelnut wafers, but equally with the place of Austria and the Austrians in an international context. It presented Austria as the epitome of friendliness, a delight for the whole world. The recipients learned that "we" are popular with many other nations, Western nations to be sure. Communist countries did not fit into this imagination of postwar affluence. Geopolitical reasons as well as the cultural tradition of looking down on the "East" conspired to exclude the communist countries from the nations whose respect the Austrian public longed for.

In short, the staging of the wafers illustrates important aspects of the Austrian self as it was elaborated in the nationalizing discourse of postwar Austria. But the verb "illustrate" somewhat misses the point—the advertising item rather offers embodiment, a completeness of presence. Yet, we immediately detect the abysmal disproportion between trivial things such as wafers and the nation as a transcendental signifier. Can we seriously claim hazelnut wafers to be the nation incarnate? Not seriously in the sense of rational argument, but quite seriously in that such consumer goods flesh out an otherwise abstract concept. They lend the nation a body (Kaschuba 1995). Consumer goods are one means by which to craft the nation into a tangible reality. They are bridging a gap that ought not be bridged by rational discourse. If one turns to the theory of literary tropes, the embodiment of the nation in product discourses is an example of irony: it consists of maintaining a "double consciousness," which is what we can see in the nationalization of consumption. But the issue with irony is that one cannot easily tell at which point it gets serious. It depends upon how the recipient approaches the artifact of communication.

IV. Does the Nationalizing of Product Communication Really Matter—and to Whom?

Studies of advertising and mass media communication have drawn on the semiology of Roland Barthes (Barthes 2006; 2012) and social semiotics (van Leeuwen 2005). The latter contributed to the development of Critical Discourse Analysis (Wodak and Meyer 2009), which has exerted significant influence on how discourse analysis has been practiced in historiography. More recently, Critical Discourse Analysis has incorporated concepts from cognitive linguistics, above all the theories of conceptual metaphors and cognitive blending (Fauconnier and Turner 2003; Lakoff and Johnson 2003). These approaches offer complex tools for the examination of mass media texts. However, they tend to underplay the situational and contingent aspects of communication. They rely on the notion of a stabilized code that allows one to determine denotative and connotative meanings of an utterance (Breeze 2011). Historical research about advertising that subscribes to a semiological perspective has been criticized for failing to show conclusively how recipients understood the meaning an artifact of communication was supposed to contain (McFall 2004). But even if we grant that semiological analysis is able to reconstruct the content of a message, this does not automatically entail knowledge about how people act upon what they have understood to be the advertiser's message. This problem puts historians in an especially difficult position. They cannot create sources about media reception in ways that are open for investigations into contemporary consumer behavior (Andree 2006). But maybe it would not help historians a great deal if they could—communication research commonly resorts to laboratory experiments, surveys and interviews, and yet it remains a tricky business to assess the effects of media consumption. The abilities to prognosticate and steer consumer reactions are still unimpressive when compared to the fantasies of manipulation that overconfident advertisers and their critics shared throughout the twentieth century.

There are two problems to encounter before one can find out how product communication participated in nationalizing discourses: first, how can it be shown that product communication participated at all? By starting from advertising artifacts, it must be shown that there is content connecting the message with the nation. An advertising item acquires a national touch through symbols like a flag, the nation's name, famous sights, typical landscapes, national heroes or events thought to be important for the nation's history. Assessing the relevance and function of such elements refers us back to the tools of discourse analysis and semiotics, as well as the rules of visual and verbal rhetoric: a huge flag at the center of an advert is a salient piece of information, a small one at the periphery not so much. Of course, we cannot reconstruct a nationalizing discourse from scratch. We move in

hermeneutic circles between what the textual analysis allows us to infer as the meaning of the advertising artifact and a broader knowledge about the investigated nationalizing discourses, that is, about what was considered characteristic of a given nation.

Secondly, if nationalizing content has been identified, how can one know that it mattered? If a company consistently used nationalizing references for a long period of time, the management either trusted in its appeal or was motivated by a sense of national responsibility—in most cases it will be a mixture of such factors. These factors feed into a normalizing discourse that aims to convert the nation into a self-evident frame of reference (Reddeker 2010). In postwar Germany, Nivea cream sold skin protection, but its advertising equally maintained a conversation about the ideal of an all-embracing middle class (Gries 2011). This was an issue in all countries that were undergoing reconstruction, but in the aftermath of the Nazi regime, there was a distinctly German background to the political and cultural relevance of espousing the middle ground. Similarly, the Volkswagen Beetle offered mobility, but also became a synecdoche for Germany's ascension to broad, albeit unassuming affluence (Rieger 2013). The prominent place which the Beetle holds in the permanent exhibitions of the museums of national history in both Bonn and Berlin testifies to this central place, which even the official discourse about the nation has granted to this particular car.

Can propaganda move consumers to buy national products? The question already worried protagonists of buy-national campaigns in the 1920s and 1930s because their critics contended that consumers chose according to price or quality, but did not care much about national origin. The Empire Marketing Board in Great Britain is a good example. It ran arguably the most sophisticated campaign of its kind. The activities of this government body included consumer research—for example, in 1928, the Board conducted a survey among retailers about the results of its propaganda on behalf of Empire products. Sales were reported to have increased among consumers with higher spending power (Schwarzkopf 2012, 177). However, such findings fell short of proving that the shopping behavior of the British public could be aligned with the idea of imperial preference to the desired extent. The Empire Marketing Board nonetheless laid claim to any positive movement in the trade balance (Constantine 1998, 221–23). The interwar years saw the formation of quantitative marketing research, but it was not before the 1950s that opinion polling became a common feature of all Western consumer societies (Brückweh 2011). In early 1956, a new Austrian market research company asked a representative sample of consumers if they believed that to buy Austrian products contributed to secure the professional future of “our” youth. Not surprisingly, 67 percent agreed with the answer that the question suggested (“Kauft man österreichische

Waren?" 1956, 29–39). A Swiss research company reported in 1954 that 62 percent of the interviewed German-speaking Swiss citizens declared to prefer products that showed the crossbow, which had been introduced as a national brand in the 1930s (Befragungsdienst 1954). Such data is interesting, but it is hard to tell what it says about the success of buy-national advertising or the potential it had at a given moment. Be this as it may, since the 1950s a constant flow of surveys has been touching on issues of patriotic or nationalist consumption. The 1990s brought a surging interest in the topic. As a reaction to globalization marketing research turned to country-of-origin effects and consumer ethnocentrism, both to better understand possible obstacles for free trade and to explore the perspectives for marketing strategies in a nationalizing vein (Dinnie 2004; Shankarmahesh 2006). In spite of their refined tools, researchers have not come to results that show unequivocally how buy-national campaigns translate into consumer behavior.

However, we do not need to jump to the opposite conclusion that nationalizing product communication, whether applied to single brands or to products across the board, never matters to consumers. The "Swiss Week"—a yearly event that exhorted consumers to buy national products—existed for several decades, something that would not have happened if consumer response had not been sympathetic. In Britain, housewives' organizations initiated many local Empire Shopping Weeks (Trentmann 2008, 230–40). Buy-national campaigns arranged, among other things, essay writing competitions, concerts, film shows, lectures, and exhibitions. For these activities, they could count on the participation of consumers as citizens and co-nationals.

Which social actors or institutions are the most interested in promoting the nationalization of consumer culture? The obvious answer points to companies that use the alleged national character or national origin of their brands as a sales strategy. If they export an important proportion of their products, they might use nationalizing communication exclusively in marketing activities for the co-national consumers, while relying on a different message when addressing potential customers abroad. As for buy-national campaigns, producers that focus on the national market have the highest stake in promotional efforts that want consumers to mind the national origin of each product. Such campaigns are typically close to business interests, even if they strive to include consumer organizations. Apart from corporate actors, political movements that want to attain or enhance national sovereignty favor the nationalization of consumption, as do state bureaucracies, provided that it is a nation-state. These actors support buy-national campaigns and claims of national relevance for important industries or companies. Furthermore, consumer experts, who act as intermediaries between producers and the public, often participate in nationalizing product communication. Journalists writing

for motor journals contributed significantly to flagging out national territories when societies were “automobilizing.” More generally the media, first newspapers, than radio and finally television, have applied their nationalizing touch to topics of consumption. As Benedict Anderson observed, in the daily morning paper nothing escapes nationalization (Anderson 2006, 35–36). Finally, the citizen-consumers themselves are an important factor: if they do not “buy” it, the nationalization leads nowhere.

V. Economics, Politics, and Culture

For some years now, interest in bridging the gap between economic history and culturalist approaches to history has been increasing (Berghoff and Vogel 2004; Hilger and Landwehr 2011). The latter are of course highly relevant for the analysis of nationalizing product communication as a symbolic process. However, even for an analysis that relies heavily on a close reading of mass media texts it is no good idea to isolate the artifacts of communication from relevant contexts. More than this, it is necessary to investigate the entanglements of discursive and non-discursive elements. One must reconstruct how these elements form the networks (Latour 2005) or the “dispositive” (Bührmann and Schneider 2008) of nationalizing consumption. This amounts to forgoing any neat separation between the economic and the cultural—or the political.

As businesses need to sell their goods to consumers, it is a reasonable assumption that if they address consumers as citizens or co-nationals, then they do so for economic gain. It poses no difficulty to apply the cultural industry perspective to the analysis of advertising and journalistic content that link brands with nations. We now discover a strategy of duping consumers into buying things: the nationalizing discourse turns out to be as fake as mass culture on the whole, with the capitalist dynamics of profit-seeking at its economic base. One of the problems of this critique of consumption is the underlying economic reductionism: although profits are the *raison d'être* of the capitalist enterprise, this does not explain how corporate actors think to achieve this goal and why they sometimes choose national references as part of their message to a consuming public.⁷ Nationalizing product communication would make no sense if it did not participate in a larger nationalizing discourse that business interests neither create nor wholly control, however large the role of economic elites within the political frame of the nation-state.

⁷ Business history has made some efforts to integrate broader perspectives (for example through the concept of corporate governance). See Erker (2006); Ahrens (2010).

The legitimacy of conjoining the national/cultural and the economic/profane is also a problem for buy-national campaigns. When talking to a business audience in late 1939, Edgar Steuri, the secretary general of the Swiss Week, expressed his doubts about the nationalizing promotion of individual brands. He did not hide his negative impression of an advertising poster cast in an ostensibly patriotic mold. It showed Helvetia, the allegory of Switzerland, and the copy read: “In hard times every Swiss citizen has to stand up for his fatherland. Buy Swiss products of the brand Y [the real brand name was not revealed]” (Steuri 1940, 7). Steuri mockingly added: “And next there will be soup cubes of the Kappel brand or the sleeping bag with the Wilhelm Tell system.” While the patriotic sleeping bag was meant to sound like an outrageous idea, it did not stray far from real branding practices. Wilhelm Tell and his crossbow have by now served a great many products to show off Swiss credentials.⁸ Steuri decried the abuse of “ethically motivated national propaganda” for business purposes. He then tested the argument that this profit seeking behavior might still serve the fatherland. After all, it promoted the idea that national products were preferable to non-national ones. But Steuri did not show himself persuaded.

The tension between nationalizing individual brands and a generalized call for patriotic shopping reflects the tension between the perspective of single businesses and the political economy, which during the nineteenth and early twentieth centuries in German was tellingly called “national economy” (*Nationalökonomie*) (Tribe 1995; Speich-Chassé 2014, 213–19). Buy-national campaigns claimed high relevance for the nation(-state) as the fundamental entity that transcended the individual economic view. More than that, they often pretended to a perspective beyond the economic sphere. For the organizers of buy-national campaigns, their own effort at persuading consumers stood on a high moral ground. In the Swiss case this claim rested on the distinction between propaganda and advertising (*Reklame*), which was current fashion in German-speaking countries: while advertising was materialist, “American,” and crucially about making profit, propaganda meant to sell ideas with the common good in view. As one of its organizers had declared in 1927, the campaign wanted to be “a factor in the movement that aims at the political, cultural, and economic renaissance of Switzerland” (Frey 1927, 1).

A German economist from the interwar period explained that buy-national campaigns were “sentimental protectionism” (Hupka 1932, 133). This leads to the question of what the object of the sentiment is. Product communication that stages the nation usually includes a hefty portion of pride in production. It boasts of national resources and the skills to exploit

⁸ See http://www.swissinfo.ch/ger/multimedia/fotogalerie/Marketingobjekt_Wilhelm_Tell.html?cid=628010, accessed May 3, 2013.

them. This equally works for agriculture (the high quality of regional food), for services (the national air carriers, tourism), and maybe most importantly for industry. Nationalism was closely related to industrialization in the nineteenth and twentieth centuries as both cause and effect. Nationalist politics often merged with a program for catch-up development, meaning a push toward industrialization. It is no wonder that deindustrialization, for all the post-industrial glamour that has been attached to it, can have the feel of a hollowing-out of the nation. Lost industries easily become objects of nostalgia, and it is consumer goods that give industrial prowess an attractive face.

Nostalgia for the old days of the British motor industry expresses, among other things, uneasiness about the much-advertised move toward a post-industrial or de-industrialized service economy.⁹ Since the 1920s, motorization was increasingly regarded as a proof of the nation's ability to modernize. International comparisons of the level of motorization were taken as indicating the position among other industrialized nations. In postwar Europe, the passenger car enjoyed the highest prestige and demand was seemingly insatiable. The public thus also found it desirable to have a national car industry. The national car could represent no less than the successful participation of the nation in the universal story of progress and modernity. While the consensus built around the passenger car has worn off since the 1950s, it continues to be a forceful metaphor of progress. As the reaction to the economic crisis of 2008/09 shows, intervening on behalf of national automobile industries still enjoys substantial support among the public.

The promotional communication of buy-national campaigns typically assumes a convergence between the domestic origin of products and national values or national traditions, yet it does not necessarily emphasize the latter aspect. As Karl Gerth has shown, the Chinese National Product Movement focused on Chinese capital, Chinese workers, and Chinese production sites as criteria (Gerth 2003). It therefore seems a case in point. The same can be said about the contemporaneous "Buy Austrian" campaign, which in the 1920s largely abstained from national imagery. It had to, for Austrians did not consider Austria a nation. After the Habsburg

⁹ Any search on online news sites about cars provides ample proof of this. See for example the forum discussion "What happened to British cars!?" on pistonheads.com. In the original post from February 2014, the author reports his or her impression that the "German Autobahns" are mainly populated by German cars. This leads the poster to confess: "I'm a bit jealous that the British roads aren't dominated by our high performance cars, or even just British cars at all!" See <http://www.pistonheads.com/gassing/topic.asp?h=0&f=23&t=1382707&mid=0&i=0&nmt=What+happened+to+British+cars%21%3F&mid=0>, accessed on May 23, 2014.

Empire disintegrated at the end of World War I, many German-speaking Austrians, especially the political elites and the middle classes, favored unification with the German Reich. They invested their small state with little positive emotion. Consequently, the “Buy Austrian” campaign did not dwell on the specifically Austrian character of products but argued instead that patriotic shopping was an antidote against unemployment. At its core lay an economic argument entwined with images of family solidarity (female consumers caring for their husbands’ actual—and their children’s future—jobs).

Unemployment always features prominently in buy-national campaigns. An Irish advertisement told consumers in 1921: “Unemployment! Starvation! Emigration! Prevent them—By buying Irish-made goods” (Strachan and Nally 2012, 78). Emigration as the climactic third term is the Irish twist in this argument about the beneficial effect of nationally minded consumption. While this example emphasizes national solidarity, such propaganda often highlights individual self-interest as in: “Buy American. The job you save may be your own” (Frank 2000, x), a slogan from the 1980s.

There is always more to product communication than its nationalizing dimension, but at times this aspect moves into the foreground. For example, holidays that remember important events of the national past exert a nationalizing pressure. On such days, the whole product landscape can become very patriotic. Also, consumer culture itself has created moments that gather the nation around a single event, like the Super Bowl in the US. The commercial breaks during the program are highly coveted for advertising. They provide the ideal occasion to link the brand with the striving of the nation: In 2012, Clint Eastwood told the public in a Chrysler ad that it was “Halftime in America” and that the fate of the automobile industry and the nation were but one. Then, of course, brands have jubilees of their own, which are apt moments for reminding the public about the contribution of the company and their products to the nation.

More profoundly, the intensity of nationalization in consumer culture depends on large political, cultural, and economic trends. Brands often get patriotic during nationalist mass mobilization that accompanies the establishment of a new nation-state. When national sovereignty is to be achieved, a generalized call to buy national can be expected, too. Times of war, when the nation is in danger, also increase the nationalism of product communication. During economic crises, buy-national campaigns are created or renewed, and companies emphasize the importance of their brands for the nation. Buy-national campaigns often serve as a substitute for conventional protectionism (tariffs, import restrictions, and all kinds of administrative barriers) when producers and their political allies regard such measures as desirable but deem them unfeasible, unpractical, or imprudent in the face of possible retaliation. Furthermore, political crises and mo-

ments of reorientation that usher in a new project for society bring the national question into the foreground. Examples from European history are the post-World War II “reconstruction,” the revolutions of 1989, and the ensuing economic and political transformation of former socialist countries.

In Western Europe and Japan, the postwar era was the most propitious moment for integrating consumer culture and the national imagined community. Mass consumer culture was relatively new. While since the 1920s advertising and political propaganda had promised its broad accessibility, this now became a reality. Still, it was only a limited number of standardized industrial products that dominated the market. Nowadays markets are more fragmented, which splits up consumers (and consequently the nation) into many different target groups.¹⁰ In addition, during the postwar period, the corporatist approach to solving social conflict—which went well with the Fordist production regime—lent credibility to the imaginary of an all-encompassing national community. Together with interior markets that were still heavily protected this gave consumer culture its feel as a nationally specific expression of progress and modernity.

Similarly, many Latin American countries had their mid-twentieth century moment of patriotic consumption. The industrial policy of import substitution matched up with national populist regimes, which promised social and political inclusion to peasants and workers. Growing internal markets were not only good for national producers; the consumption of imported products increased, too, and foreign investors set up production facilities to get their share of the national markets (Bauer 2001, 171–76; Moreno 2003). Car producers started manufacturing in Argentina, Brazil, and Mexico. Shaping consumption as an arena of nationalism turned out to be an ambivalent game for consumers. The Peronist government in Argentina staged increased popular consumption as a quest for national dignity during its first years, but it turned to celebrating thrift as a patriotic duty when economic troubles mounted (Elena 2011). With catch-up strategies, thrift often became a dominant concern of nationalizing consumption. Japan—and later the newly industrializing states of Southeast Asia—exalted the restraint of consumers as a national virtue (Garon 2006; Nelson 2000). There were two aspects to this: consumers should avoid buying unnecessary things and they should not buy imported products. Such patriotic behavior would contribute to building up resources for development, which would ensure the future wealth and glory of the nation. Consequently, daily consumption became fraught with nationalist concerns.

¹⁰ Cohen 2004 develops this argument in the case of the US.

VI. Conclusion

Nationalizing discourses on brands and products show the full ambivalence of the nation and nationalism. Buy-national campaigns may have intended to seal off a realm of nationalist consumption from foreign intruders, but they did so relying on propagandistic forms and arguments that were often themselves imports from other national contexts. Additionally, nationalizing product communication more often than not played on references to significant “others.” As it is a competitive ideology, nationalism also could not avoid the pressing issue of how to participate in the story of industrial progress. This frequently led to discussions over whether Americanized consumer culture would hinder or foster the creation of a sovereign and developed nation-state.

Nationalizing discourses and practices of consumption combine cultural, economic, and political dimensions of nationhood. They actively share in the never-finished processes of nationalization and denationalization. Economic crisis, the political goal of an independent nation-state or of fully achieved national sovereignty boost nationalizing product communication. Promotional and journalistic texts as well as propaganda by governmental and para-governmental bodies are the most conspicuous part of this discourse. It remains a lot harder to reconstruct the communicative actions of ordinary consumers. However, it is possible to show that nationalizing communication in advertising or buy-national campaigns linked up with broader discourses about the nation, and that actors beyond the immediate reach of the government or of business interest groups took up their concerns.

Consumer goods belong to the “banal” forms of nationalism—banal but neither necessarily harmless nor inoffensive. And yet again neither necessarily harmful nor offensive. The analysis of such nationalizing product discourses is an excellent instrument for tackling the fact that the nation may be a mythological construction but that it has a hold even on people who consider themselves as enlightened, liberal citizens and who are convinced that they do not easily fall prey to narrow-minded nationalism. In short, a good case can be made for integrating research about the history of consumption and nationalism studies into the attempt to elucidate the interaction of products, brands, and nations.

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Nation Branding and Nationalism

Mads Mordhorst

In his groundbreaking article “Globalization and Markets,” Theodore Levitt (1983) argued that the nation-state would soon become a thing of the past, like unlimited monarchy and feudalism in the nineteenth century. The global market, he said, undermines the national and regional market-places, and becomes one immense, interconnected web. “Different cultural preferences, national tastes and standards, and business institutions are vestiges of the past. Some inheritances die gradually; others prosper and expand into mainstream global preferences” (Levitt 1983, 92). It was in this context that the term “globalization” was coined as a market-driven process.

The idea of globalization was not the only source of pressure challenging the foundational concepts of the nation-state in the 1980s. The same year that Levitt published his article, numerous books were published from which different perspectives showed nation-states as modern constructs (Anderson 1983; Breuilly 1982; Gellner 1983; Hobsbawm 1983). This established a paradigmatic change in the historical and sociological field of “nation studies” often referred to as the “modernist school.” Instead of viewing nations as ancient entities that gradually and naturally evolve over time, the modernists argue that the nation-state emerged in the late eighteenth century and became, as part of the processes of industrialization and modernization, a dominating pattern during the nineteenth century. “Nationalism is not the awakening of nations to self-consciousness,” as Gellner famously put it, “it invents nations where they do not exist. Nations do not support nationalism; it is the other way around” (1983, 3). Nations are social constructions and as such they are not based on essence of history but on invented traditions that foster a sense of belonging to community (Hobsbawm 1983). These communities, however, are necessarily “imaginary”; they have to be imagined in both content and form since most people in a given nation do not know each other (Anderson 1983, 6). But if nations are constructs they can also be deconstructed. Indeed, even where this is not made explicit, the underlying theme of the modernist discourse is that we are entering an epoch of denationalization (Hettne, Sörlin, and Østergård 2006, 10ff).

A quarter of a century has gone by since Levitt's article and the modernist paradigm emerged, and in some respects history bears out its predictions. The fall of the Berlin Wall and the economic development of countries like China, India, and Brazil have connected people in most of the world to one global market. The development of telecommunications, with the Internet, cell phones, and media means that people all over the world watch the same news and TV programs. On the institutional and organizational level, the nation-state's sovereign power is challenged and, arguably, undermined. A growing number of decisions are today made at an international and global level by transnational organizations like the EU, NATO, and the UN. Large companies become even larger; indeed, they have grown to be larger, at least in economic terms, than many nations. Today nearly half of the biggest economies in the world are not nations but global companies (Olins 1999, 1). It is not only the size of the companies that have changed. At a structural level, many companies have become global and network-oriented, transcending the idea of national industry. They operate without being centered in a national economy (Hardt and Negri 2000).

There have, however, also been developments in the opposite direction. Taking a hard line, these might be said to falsify the overall thesis that the nation-state is in a rapid state of decline. Nation-states are still the central political unit in the world and there are more nations today than ever before (Hettne, Sörlin and Østergård 2006, 15). And perhaps more importantly, the past few years have seen a reemergence of nationalist thought, epitomized by such phenomena as Brexit, Trump and his "America First" platform, and the separatist movement in Catalonia. Nation-states do likewise have an important impact on the shaping of collective identity and image at the cultural level. Nations celebrate important historical events (e.g., victory in wars), contemporary triumphs (e.g., in major sports events), famous persons (e.g., great national authors or politicians), and revered institutions (e.g., constitutions) through anniversaries. In fact, such celebrations are increasing in number.

Furthermore, one could argue that cultural nationalism and national identity have entered a new field of economics and the culture of business. While the economy has been globalized, centripetal forces partly efface the distinction between what has hitherto been the task of the state and the business. As Wally Olins wrote, "The relationship between countries and companies is changing. In some ways they are becoming more alike. Nations increasingly use business language—growth targets, education targets, health targets; global companies increasingly emphasize soft issues, their value to society and their benevolent influence" (1999, 1). In other words, the division between nation-states and politics, on one side, and companies and economics, on the other, has become increasingly blurred. The political, economic and cultural levels have become embedded in one another to a degree not seen before.

Thus, it is not a question whether nations and nationalism still matter in the present age of globalization. In some aspects, the power of states is declining, but in other aspects nationalism is gaining power. The main point is that nationalism is changing patterns, forms, and fields. This paper will argue that one place where these changes are seen, is in the concept of nation branding.

Nation branding is a globalization of nationalism in two senses. First, it is changing the focus of national identity, shifting it from a set of internal concerns about a common horizon of meaning and values among the citizens to a more external orientation in which national branding is used by the state in promotion of its interests in the global marketplace. Second, nation branding is moving nationalism out of its traditional political, cultural, and ideological field and into the marketplace and domain of global competition for prosperity. It is thus a multi-hybrid that must transcend the national-global dichotomy of political and commercial concerns as well as the distinction between public and private sectors.

Nation Branding: A Hybrid

During the last two decades, we have seen new concepts that try to grasp and manage the abovementioned contradictory processes. Hybrid concepts often combine fields that had previously been separate or even contradictory. "Corporate Social Responsibility" indicates a space where market forces and the state are not in opposition with each other; "New Public Management" encourages the use of management ideas from the private sector in the public sector; and "public diplomacy" breaks with the tradition of diplomacy that is hidden, formalized, and institutionalized, reconfiguring both the audience and content of diplomatic engagements. "Globalization" is used to refer to the idea that the world has both become globalized and localized at the same time (Wellman 2002).

Among those hybrid concepts are also "nation branding," where an approach from the field of commercial marketing is applied to nations and the politics of state. The concept was first used in 1998 (Anholt 1998), but government after government has since established nation branding programs. The link that unites the branding paradigm with the political field is what Olins calls the "trading identities," i.e., identities that mediate between companies and nations. When companies and nations become more alike, the idea of taking the tools that have been useful in companies and applying them to nations seems logical.

Nation studies and marketing are the two academic fields that meet in the hybrid of nation branding. While this suggests the establishment of a cross-disciplinary field, such a field has not yet emerged. They are still divided and little progress has been made toward their integration. One rea-

son for this is that nation-studies and branding have emerged as two different academic traditions with different semantics. The differences can roughly be schematized as presented in Table 9.1.

Table 9.1. Nation Studies vs. Nation Branding

	Nation Studies	Branding
Institutional Background	Humanities, cultural studies, and history departments.	Business schools, marketing departments, and private consultancies.
Fields of Interest	Politics and culture.	Economy and business.
Purpose of Studies	Academic knowledge: to find the “truth” about nations.	Development of tools: How to find the right tools to brand a nation.
Critical Orientation	Deconstruction of essentialist views on nations.	Critique is focused on tools and measurement of the results of nation branding.
View on Nations	Nations are social constructs: Nations and national identity are constructed through social processes.	Nations are the objects to be branded: They are seen as ontological realities with an essence.
Focus in Space	Focus on internal nation-building and identity-creating processes in separate nations.	Focus on the external images of the nation and how they are perceived among central stakeholders.
Focus in Time	The emergence of modern nationalism in the nineteenth and twentieth centuries.	The contemporary perception of the nation and how it may be rebranded in the future.

This article’s comparison of the two traditions begins with the literature on nation branding.¹ To the extent that nation branding has been discussed in academia at all, it has primarily been within the disciplines of branding and marketing. Most of the literature is based on individual case studies. The questions have mostly been tool-oriented and instrumental: How does one brand nations? How can one measure the effect of the brand?² These issues

¹ The article does not claim to be a complete literature review. The argument is primarily built on the major works in the field: Anholt 1998, 2006, and 2010; Dinnie 2008; Kotler 1997; Olins 1999, 2002; van Ham 2001.

² The leading journal in the field, *Place Branding and Public Diplomacy*, has a requirement that “All papers must have clear implications for practice.” http://www.palgrave-journals.com/pb/author_instructions.html.

have become increasingly more central since the implementation of nation branding programs has shown no effect (Anholt 2010, 2). The founder of the concept, Simon Anholt, has in fact more or less given up on the idea of nation branding. The first paragraph of his latest book states: "There is no such thing as 'nation branding.'" However, this article will argue that nations are in fact brands and can be branded, though not with the tools offered in the branding paradigm³ (Anholt 2010). From the perspective of nation studies, this article can also be read as a construal of nation branding as the blurring of borders between globalization and the nation-state and between business and identity. The focus in nation studies has been on the political and cultural internal construction of the nation-states. The role of branding and commercialization in the present nation building processes has been more or less ignored.

The argument is that there has been a change of purpose rather than concept. Since the eighteenth and nineteenth centuries, nation-states have been branded. The nation-state is in its core content a brand, which has been built up around a constructed identity, both internally and externally; they have been shaped by images that distinguish nations from each other. What has changed in the last decades is the degree of integration of business, economy, culture, and politics, and the efforts to use these images and identities in a broad strategic manner.

What is Nation Branding?

Nation branding is at a general level simply the process of applying tools that have proven to be successful in the marketing of products, services or companies to nations. Ying Fan summarizes different definitions of nation branding in a simple definition: "Nation branding concerns applying branding and marketing communications to promote a nation's image" (Fan 2006, 6). Implicit in this definition is the idea that a nation is just a category that can be placed side by side with companies, or products. The central element in understanding nation branding is therefore branding.

A brand is often defined (see for example, American Marketing Association) as a collection of symbols, experiences, and associations, which positions and differentiates goods or services from those of competition.⁴ The process of branding is the creation and marketing of differentiated characteristics. The goal is to contribute added value, and as long as the charac-

³ There are of course exceptions, see e.g., Aronczyk (2008); Aronczyk and Powers (2010).

⁴ "Brand and Branding," in *Dictionary of the American Marketing Association* at <https://www.ama.org/>.

teristics are seen as positive, it is assumed that consumers will prefer the branded product instead of a product from a competitor. The aim of nation branding is simply to create and market distinctive, differentiated images of a nation to make it more competitive than other nations in areas like export, foreign direct investment, and tourism (see e.g., Anholt 2006, 1; Dinnie 2008, 15). Thus, nation branding can be defined a bit more narrowly than Fan's proposal. Keith Dinnie (2008, 15), for example, suggests that it is "the unique, multi-dimensional blend of elements that provide the nation with culturally grounded differentiation and relevance for all of its target audience."

The concept of nation branding is traditionally associated with the British marketing consultant Simon Anholt, who began to use it in 1998 (Anholt 1998, 2006). What Anholt originally referred to when he was using the label "nation brand" was the value-creating effect of marking goods with the slogan "Made in . . .". For example, tools labelled "Made in Germany" could be sold at a price premium. That this label could have a positive effect was not in itself new within marketing, but instead of focusing on the label "Made in . . ." as a mark of quality, Anholt applied a brand perspective, focused on the national images behind the labels, and examined what emotional qualities consumers applied to different nations. When it comes to cars, for example, "consumers around the world expect engineering excellence from German cars, safety and ecology from Swedish cars, chic design from French cars, wood and leather from British cars, economy and efficiency from Japanese cars" (Anholt 1998, 398). That those national images do add value is evident by the fact that they are often used by "cuckoo brands," e.g., using a French name to market a perfume even if an Australian company produces it. This at the same time makes it clear that there are two kinds of brands in this area. First, there are private domain brands: VW, Volvo, or Citroen, which are owned by the companies. The second kind of brand is the nation's brand. They are public domain brands and are nobody's property. According to Anholt, they are not managed and developed strategically as brands and represent a huge unexploited opportunity for value creation by nations in the present situation of global competition.

Since the publication of his article in 1998, Anholt has developed and transformed the concept of nation branding twice. First, he shifted his focus from the co-branding between products and nations to the nation's brand itself (Anholt 2002). Where the nation's image in the country of origin tradition is a means which companies use to brand their products, the branding of the nation has become an end in itself. This is more than just changing sides in the process of co-branding between nations and business. "Brand managers" are no longer only found in the marketing departments of companies, but can be seen at work among administrators and political leaders of nations. A nation's brand is more than just the im-

ages that are created through commercial product-brands, it is also created through its heritage, history, political behavior, nature, cultural expressions, and so on. Likewise, the aim of nation branding is broader than merely helping companies to sell their products. Nations today compete to attract investors, major events, tourists, entrepreneurs, and so on. The purpose of the brand is to gain advantages within these fields, just as is the case in the export market. In other words, in this extended view of nation branding, the companies and commercial brands of a nation are just one way among others to brand nations, and if the company's values are in conflict with the images that the nation wants to promote it might be a problem for the national brand.

In recent years, Anholt has again shifted position (Anholt 2006, 2010), trying to distance himself from the praxis and label of nation branding. According to him, most nation branding programs had ended in superficial marketing campaigns, without any effect. However, as will be discussed at the end of this article, his suggestions are still rooted in the tools from branding and marketing.

Nation Branding as a Business

The discourse of nation branding is closely connected to the discourse of globalization. It is sold to political leaders as a national response to the looming clouds of globalization, and the central actors in this discourse are consultancy businesses. As an example, one can take the first sentence of Anholt's book *Competitive Identity—The New Brand Management for Nations, Cities and Regions*: "Today, the world is one market. The rapid advance of globalization means that every country . . . must compete with every other for its share of the world's consumers, tourists, investors, students, entrepreneurs, international media, of other governments, and the people of other countries" (2006, 1). By proposing nation branding programs, the consultants offer a solution to governments and politicians to the problems of globalization.

Politicians have accepted the ideas and messages of nation branding. Throughout the foregoing decade, government after government has established nation branding programs and today it is hard to find a nation that has not launched nation branding initiatives of some kind.⁵ The governing idea behind the implementation of the programs is that nation branding is a

⁵ A far from complete survey has shown that in Europe alone this includes Denmark, Sweden, Norway, Great Britain, Germany, Switzerland, Holland, Ireland, Spain, Poland, Estonia, France, Portugal, Slovenia, Kosovo, Czech Republic, Romania, Slovak Republic, Hungary, and Belarus.

necessary national response to the processes of globalization: "If we do not brand our nation, we will lose in the global race for prosperity" (Ministry for Economic and Business Affairs 2007, 9).

It is not only in the arguments for the programs that similarities can be found. The content of the nation branding programs of various countries is very much alike. All countries want to brand themselves as open societies which are at the cutting edge of fighting global warming and researching in science and technology. The paradox is that while the core idea of branding is to differentiate oneself, a global nation branding discourse has fostered isomorphic programs: nations start to implement branding programs at the same time, for the same reason and with the same content. Or, as the anthropologist Thomas Hylland Eriksen writes, "The more similar we become, the more different we try to be. Paradoxically, however, the more different we try to be, the more similar we become—since most of us try to be different in roughly the same way worldwide" (Eriksen 2007, 146).

The concept of nation branding can help us to reveal two explanations to this paradox. The first is by comparing the historical processes of nation building with the present ideas of nation branding. States and nations have always used the images of other nations to build their own identity, often through wars and conflicts. In these processes, it has normally been the neighbors who have played the role of the villain and the significant other. However, at the present time the significant other has changed to the discourse of globalization. This has two implications. First, all nations share the same significant other. Second, the discursive and blurred character of globalization makes it a "faceless" villain. It is a less tangible image than other nations. Now then, if the purpose of nation branding is to make differentiated characteristics, the question is: differentiation from what?

Another part of the explanation of Eriksen's paradox can be found in the rapid growth and institutionalization of the field of nation branding. Marketing and branding consultancies have found a flourishing market in nation branding, and the leading actors are often consultants for several nations (Aronczyk 2008). But the institutionalization is not limited to nation branding programs: handbooks in nation branding have been written, often by some of the world leading gurus in marketing and branding (see Anholt 2003, 2006; Dinnie 2008; Kotler 1997; Olins 1999). Journals like *Place Branding and Public Diplomacy* have been established. Societies and associations (e.g., the Association for Nation Branding), annual conferences, and discussion forums on the internet have been founded (e.g., www.nationbranding.info). However, the most important source of isomorphism here may be the nation brand indexes. They are created with the aim of comparing and ranking the brand-value of nations, spotting trends through periodical opinion polls. This inevitably requires standardized categories. In the most used and respected index, the Anholt-GfK Roper

Nation Brands Index, the nation's brand is measured through six categories. To calculate the overall nation-brand, the category totals are aggregated.

A problem in nation branding is how the effect of the nation branding programs may be measured. If a nation attracts foreign direct investment, is this then a result of the nation branding program, or other factors? A solution to this has been to say that the benchmark for success could be that the nation, after the implementation of the program should have advanced in the index. By these means, nation branding becomes a circular process: the purpose of nation branding becomes the attainment of high rankings in nation branding indexes, but these indexes are themselves based on standards established by the nation branding consultants (e.g., Ministry for Economic and Business Affairs 2007, 3). The irony is that the index shows a remarkable stability over time and it is hard to see any measurable effect of the nation branding programs (Anholt 2010, 2).

The Nation Branding Instruments

Given nation branding's origins in the consultancy field of branding and marketing, it is unsurprising that it contains a strong focus on the development of tools and, inversely, a limited attention to the object of the branding (nations and national identity). An implicit and problematic consequence is that the methods and tools are viewed to be value-free, and can be used without ideological and cultural implications. Three kinds of tools are often used. The first can be grouped under the heading "co-branding." Anholt used these tools in his discussion of the country of origin effect. "Place branding" constitutes another class of tools—the argument here is that the branding of places is the same regardless of whether it is a nation or a city. Finally, a set of tools related to corporate branding can be identified, which emphasizes the similarities between nations and corporations.

Co-Branding: The Country of Origin Effect

The Country-of-Origin effect (COO) has been the point of departure to develop the tools of nation branding. In the marketing literature, the label "Made in . . ." has been acknowledged for being an effective tool in marketing products. Papadopoulos and Heslop (2002) published an article on the basis of a database in which they had collected over 750 major research publications on the subject. Despite the amount of research, the tradition has been criticized for lacking validity (Peterson and Jolibert 1995), being based on fragmentary case studies (Dinnie 2008, 84–85), and an inability

to generalize and implement results. More importantly, the COO effect has been viewed as a sign of denotative quality in the products, and not the connotative values and images of the nation.

With the nation branding perspective introduced by Anholt, a wider vista opened up. “Made in . . .” could increase demand and prices not only due to the denotative quality of the products, but also because consumers come to associate the product with values and emotions of the nation. COO becomes a question of identity where there is a triangular connection between the national images, the connotations of the image in the product, and the projected identity of the consumer.

Addressing the COO effect from a nation brand perspective is to use the tools of co-branding. Co-branding is when two or more different brands are brought together. The purpose is to create a process where the branding takes the meanings and values from one of the brands and passes them on to the other brand. It is much like an endorsement, akin to Nike’s use of sports celebrities like Tiger Woods to endorse their products (McCracken 2005, 97–117). In this semiotic way, entities are linked together that would otherwise belong to different categories, like products and nations. However, there must be something that links product and country together, and this is often found in the domain of values. Consider chains of association like “Sweden—welfare-state—IKEA,” “France—elegance—Champagne,” “USA—American Dream—Nike,” and so on.

There is good evidence for the argument that co-branding between countries and material goods exist. Anholt argues also that “it is no paradox that in today’s global marketplace, [the] rootedness [of products] will surely become more and more important to consumers” (2002, 238). The processes of globalization create their own dialectical counterpart, a demand for “authentic” and “localness” that consumers can use to create identity (Gilmore and Pine 2007). The fulfilment of those identity demands is the core element of contemporary branding (Holt 2004).

However, if you take a historical perspective you could ask whether the COO effect is the right way to go if your aim is to rebrand your nation as a modern nation in the global world. Historically, the pattern of “Made in” was established at the close of the nineteenth century as a response to the globalization processes of the time, which brought along a dramatic rise in imports and exports that again opened the door for imitation, fraud, and adulteration of imported products (Duguid and Lopes 2009). Danish butter, for example, was sold at a high price on the British market because it was considered to have a high quality. This led some non-Danish butter producers and grocers to take advantage of this by trying to sell their own butter as Danish, or even to pass margarine off as “Danish butter.” Legislation about national trademarks aimed to stop this (Higgins and Mordhorst 2008). The punishment for falsifying the Country of Origin label could be

severe: in Great Britain mislabeling a product's country of origin could result in 20 years at a penal settlement. The aim of the trademark legislation was to protect the rights of the producers and safety of the consumers. That COO was from the beginning used to brand products through national identities has also been justified by historians (Higgins and Mordhorst 2008).

The use of the mark of origin was developed during the nineteenth century in parallel with the processes of internationalization and nation building. Most companies had a national origin. But today is a different world with globalized companies. Jaffe and Nebenzahl (2006), who have written the most thorough analysis of how to use the COO effect in the genre of nation branding today, run into trouble when they try to clear up what COO actually means today. Take a car brand like Mercedes—the icon of German engineering brilliance, technology, and craftsmanship. Today the company is mainly owned by Arab investors, the car is assembled in Tuscaloosa, Alabama, with parts produced in China or India. In other words you have to distinguish between categories like: “Produced in,” “Assembled in,” “Designed in,” “Made in” and “Owned by” (Jaffe and Nebenzahl 2006, 29).

Olins (2003, 131) claims that the COO effect is being undermined by globalization and “with a few exceptions is in terminal decline.” According to Olins, the only things that seem to be intact are the stereotypes and prejudices that constituted a national area before globalization started to accelerate. Even if it is a positive narrative like, “Germany is the country of brilliant engineering,” it can be problematic. The image has been created through a long line of co-branding processes between Germany and industrial icons like VW, Mercedes, and Siemens during the nineteenth and twentieth centuries. No matter how positive this has been, the narrative and image today block a new and more modern image of Germany. Such an image could emphasize that Germany today has strong companies in industries like fashion and cosmetics, which do not stress engineering values, but other more feminine ideals.

In other words, nations can be caught in their own narratives of victory (Mordhorst 2003). The images created through the COO effect have not been created overnight. It has taken decades if not centuries to create the present national images and once they are created it will be a long process before they are deconstructed again. So, when Anholt argues that consumers demand authenticity, and rootedness, it tends toward a demand for nostalgia from an epoch before globalization changed the world. In other words, the COO effect is just as much a part of the problem as it is part of the solution if the aim is to rebrand a nation.

Place Branding

Another angle to nation branding comes from marketing. In 1993, three years before Anholt started to use the term “nation branding,” the strategic marketing guru Philip Kotler edited the book *Marketing Places—Attracting Investment, Industry and Tourism to Cities, States, and Nations* (Kotler 1993). Even though there had been some earlier case studies of place branding, this became the landmark book that defined place marketing as a field. The central argument in his book is that the world is entering a new world economy where globalization and improvements in communications and transport technology change the ideas of places:

No longer are places merely the settings for business activity. Instead every community has to transform itself into a seller of goods and services, a proactive marketer for its products and its place value. Places are indeed, products, whose identities and values must be designed and marketed. Places that fail to market themselves successfully face the risk of economic stagnation and decline. (Kotler 1993, 10)

This quotation shows that the argument for place marketing is parallel to the arguments Olins and Anholt used for nation branding. The processes of globalization have transformed places into products and as products they have to be marketed. Otherwise they will fall into oblivion and poverty. Likewise, it is the same aims and tools that are suggested, so today place branding and place marketing are used synonymously. Place branding is used as the broad umbrella concept, with subcategories such as city branding, regional branding, country branding, nation branding, and destination branding.

In contrast to traditional branding, marketing and the COO effect, the main aim of the place branding process is not to sell a product in the ordinary sense. The purpose of the branding process is here to attract resources to the place: investments, investors, tourists, or highly skilled labor. These various purposes bring along a variety of different interests and target groups. An investor typically looks at similarities between their own culture and the places to invest, at the business climate, the infrastructure, and the ability of the workforce to transform and adapt to new aspects. Tourists typically seek the opposite experience: they want something exotic that contrasts with their everyday lives but is connected to the destination's culture, nature, and history. This diversity is also reflected internally, i.e., within the places that want to be branded. Tourism organizations, companies, educational systems like universities, and the public sector might agree on the benefit of branding the place they share. However, when it comes to the content and purpose of the brand, they differ.

There is another and more fundamental problem connected to the founding axiom of the concept of place branding. Whether the place is a

city, region, or nation, it is assumed not to make any substantial difference. But is this assumption correct? At the institutional level, nations often have governments that have powers very different from those of a city council. However, the central difference is not on the institutional level but on the ideological and emotional level. Nations are emotional constructs that shape and construct identity qualitatively differently than other places. Just think about the millions of people who have sacrificed their lives for their nations in wars during the last century. How many would be willing to do this for a city or region? Another example is that nation-states on a regular basis carry out structural reforms that change the map of local administration. They merge or divide municipalities in order to make administration more effective in meeting the demands of the present. This is normally done without huge problems. If the EU or UN would try to change the map of the world this would be another matter. Nations are not just places, they are ideological constructs that have taken centuries to shape and create.

If the discipline of nation branding wants to be taken seriously it must offer much more attention to the nation's content. A part of the problem is at a conceptual level. Terms like country, nation, and state are often used synonymously in the branding paradigm (see, e.g., Kotler and Gertner 2002; van Ham 2001; Dinnie 2008). However, as shown in nation studies, this is problematic. In contrast to regular usage, where the term "nation" is often used interchangeably with terms such as "country," "land," and "state," the modernist view insists on a conceptual separation between nation and state. The state is a political and territorial unit defined by its borders. A nation is a cultural and historical construct where the members are said to share a common horizontal identity. So if branding deals with values and identity, then nation branding should focus on the construction of nations. A main reason why nations are so difficult to rebrand is not that they do not have a brand; on the contrary, it is because they are super-brands.

Corporate Branding

More recently, it has become even more common to see nation branding construed as corporate branding on a larger scale. In the words of Lee Hudson Teslik, "nation branding . . . means applying corporate branding techniques to countries" (Teslik 2007). The leading advocate for this direction in nation branding is Wally Olins, who is also one of the founders of the corporate branding paradigm.

Corporate branding is connected with an overall trend in branding that started in the mid-1990s (Schultz 2005, 10). Instead of focusing on branding as a relation between products and consumers, companies started to

view branding in a broader context. The focus instead became the corporation as such. The brand had to saturate the whole organization from the CEO to the employees working at the assembly line and become the identity of the corporation. The external target group, which once consisted only of consumers, was redefined to include a broad spectrum of stakeholders. Corporate branding in this way transcends the ideas of marketing, and becomes the long-term strategic perspective of the corporation.

The main reason that corporate branding has become a central concept in nation branding is that there are similarities between the two concepts. Both of them have to cope with a broad scope of internal and external stakeholders, both have broad aims, and both have a long-term perspective. The most important parallel is that they both distinguish between internal and external branding and communication. In corporate branding this is articulated in the distinction between the internal process of building up a shared identity internally and the external images of the corporation. This distinction can be dealt with in two different ways. The first is as a way of decoupling. Here corporate branding is viewed as a tactical way to create more positive images of the corporation through communication and marketing without making any internal changes. In other words, if you have made some ethically “problematic” transactions and been caught in them, the solution is to hire a marketing consultant to do the dirty work. That branding has often been used in this way is a central part of the explanation of why branding in general has had such a bad reputation among many (Klein 2000). In a nation branding perspective, the danger is that a gap will cause the branding to be perceived as propaganda.

The other way to deal with the gap between internal identity and external images, according to corporate branding literature, is to try bridging it. To do this, Schultz and Hatch (2001) developed the “cooperative branding tool kit,” the central idea of which is that there must be congruence between “who we really are” and “who we say we are.” From a communication perspective—and from the idea that honesty in the long run is more profitable—the corporate branding tool is probably a good tool for many corporations. This might not be the case for nations, however.

The demand in corporate branding can only be efficient if you know your identity or who you really are. In order to determine this, the corporate branding tradition suggests that you begin by focusing on the organization and its culture and identity. Though the metaphors vary, there is a clear essentialist tendency: you have to find the “DNA” or the “essence” of the corporation to pinpoint the “core values” you want to use to build the corporate identity and express your image. When you apply this to a nation, it entails several questions. Do nations have DNA, essences, or core values? If so, how and when does that “essence” or “DNA” come into being? On the ontological level, national identity has to be an eternal and ahistorical entity.

On the historical level, the essentialist metaphors bear striking similarities to the primordialistic views of nationalism that go back to eighteenth-century German romanticism and historicism, as expressed by Herder and Fichte (Smith 2001, 75–82). This was an ethnic approach to nationality that found its most extreme form in Nazism, with its attendant racism. It has, accordingly, encountered enormous criticism. It is this criticism that started the modernist school in nation studies, a criticism that was also an internal criticism of the function and practices of academic history as contributing to nationalism. As Hobsbawm expressed it:

For historians are to nationalism what poppy-growers in Pakistan are to the heroin-addicts: we supply the essential raw material for the market. Nations without a past are contradictions in terms. What makes a nation is the past, what justifies one nation against others is the past, and historians are the people who produce it. So my profession, which has always been mixed up in politics, becomes an essential component of nationalism. (Hobsbawm 1992, 3)

In the vocabulary of branding, historians were the original nation-brand consultants. They not only contributed to nation branding, but to ideology and politics.

Even if you take the metaphors “DNA” and “essence” less literally, the idea of a national identity as something you can find and pinpoint from inside the nation itself remains problematic. First, where is it situated? In the nation’s government? If so, it is hard to see how this thought can coexist with ordinary democracy. Is the national identity distributed through each of the nation’s citizens? If so, what does one do with those people who are citizens, but do not share the formulated values?

In a corporation, one has legitimate tools to handle this—as a last option, you can fire the employees that do not share the vision of the company. One cannot, by contrast, throw ideologically recalcitrant citizens out of their country. This is connected to another problem. Who formulates the “core values” of a nation? No matter what the answer might be, it is clear that it is a highly political, ideological, and cultural issue, and one that few want to hand over to marketing consultants.

The problem of applying the principles of corporate branding to nation branding highlights the problem of defining national identity. This is the key question in nation studies. Instead of the idea of national identity as an essence, it is seen as a historical and social construction. Benedict Anderson’s “imagined communities” is a central concept in this domain. National identity must be imagined “because the members of even the smallest nation will never know most of their fellow-members, meet them, or even hear of them, yet in the minds of each lives the image of their communion” (Anderson 1991, 6).

The concept of imagined communities offers a different and more reflexive approach to nation branding, bringing it back to a definition of branding as creating differential images and characteristics. Anderson eschews the construal of national identity as essence but focuses on how images and narratives internal to the nation create community. Like branding, these images are used to differentiate nations from each other.

Nations Do Have Brands, But Cannot Be Branded

All three sets of tools underestimate the unique character of nation-states and the strength of cultural and historical constructs. At the same time, the tools overestimate their own efficacy in the realm of national identity. To use these tools to brand a nation would be like trying to bore a tunnel through a mountain with a hand drill.

The COO tradition underestimates the historical rootedness of the construction of the national images. Place branding too easily assumes that a nation is merely one place among others, and fails to understand the unique character of nations. Corporate branding, finally, suggests tools that are incompatible with the ideas of democracy in the nation-states.

Anholt has in fact admitted the limited scope of the tools. In his book, *Competitive Identity*, Anholt comes to the conclusion that although nations “do *have* brand images, they can’t usually *be* branded” (Anholt 2006, 5; 2010, 1–5). Coming from the field of consulting, the main problem for Anholt is that nations cannot be branded with the tools of branding. They are too complex and have too many stakeholders, so Anholt suggests we stop talking of nation branding and instead use the concept “competitive identity.” This, however, is not a new approach. It appears to be the traditional instruments of nation branding, now merely supplemented with public diplomacy as an extra tool. But if one goes beyond the instrumentalist argumentation, what does it mean that nations cannot be branded? Especially considering the other part of his conclusion, namely that nations do have brands or are brands. This indicates that the focus in the hybrid concept of nation branding should be changed from branding the nations to nations as brands.

Instead of asking how to brand nations, the questions must start from a historical perspective: How and when did nations emerge and how did they become brands? With the exception of Olins (1999), this historical perspective has been missing in the nation branding literature. Such a line of enquiry does not have to start from scratch. The study of nations and nationalism has, since the 1980s, become one of the fastest growing fields of research in the humanities and social sciences. What unites the modernist school is the argument that nations are social constructions. This does not

minimize or weaken the influence of the nation-state. On the contrary, it highlights the historical fact that the creation and implementation of the nation-state has involved enormous human and material costs, e.g., wars. The creation of nation-states—a centuries-long process—is a product of perhaps the most extensive and far-reaching branding campaigns seen in world history. In this perspective, the present nation branding program looks naïve, since it suggests that one can change the image of a nation with isolated tools and a few billion Euros. This should, however, not lead to the conclusion that the nation branding discourse has been wrong all along. The founding premise is right: Nations have become brands, and as brands they have become still more commercialized. Nations compete on markets where political and cultural levels are embedded in and inseparable from the economic market of commodities.

This raises new questions for the study of nationalism and national identity. The focus has been on the political and cultural internal construction of the nation-states. The role of business and economic actors in the nation building processes has been more or less overlooked. The concept of nation branding thus offers a possibility to integrate the field of business studies into nation studies. Furthermore, it offers an opportunity to analyze how nationalism transforms itself and emerges in new areas in the globalized world. The idea of nation branding implies a neo-nationalistic approach in the present world. But it is a changing nationalism that is perhaps less aggressive than the nationalisms we have seen in the previous centuries. After all, if you want to sell products to others, or attract them as investors or tourists, then war, imperialism, and ethnocentrism is not the best way to do it.

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National Interests and Foreign Direct Investment in East-Central Europe After 1989

Vera Šćepanović

Introduction

Foreign direct investment has played a major role in the efforts of the former socialist states of East-Central Europe (ECE) to transform their economies and catch up with the developed world. Foreign companies control most of the key economic activities in the region today, including manufacturing and retail, as well as the sectors typically considered too sensitive to be given over to foreign influence, such as the media, banking, and energy (Bandelj 2008; Epstein 2008). By the late 2000s, more than 40 percent of total economic output of Hungary, the Czech Republic, Estonia, and Slovakia was produced by foreign firms, closely followed by Poland's 32 percent and well ahead of any other OECD state (OECD 2011).

High levels of foreign penetration are not merely a consequence of a liberal laissez-faire policy, but the fruit of painstaking efforts by ECE governments to attract "their share" of foreign capital. To do so, they competed against each other with generous investment incentives, reformed labor markets and taxation policies to make their jurisdictions more attractive, and even fought the European Commission to offer foreign companies the privileged treatment once reserved only for national champions (Bandelj 2008; Bohle and Greskovits 2012; Bohle and Husz 2005; Drahokoupil 2008).

There are at least two aspects of the ECE experience that make it a particularly interesting subject for the study of the relationship between national interests and foreign economic involvement. First, the ECE states' recent enthusiasm for foreign direct investment (FDI) is something of a surprise in a region that has a long record of suspicion, even hostility, toward foreign capital (Love 2006). "Nationalization" of the economy was an important part of the regional nation-building projects in the interwar period, when narrow ethnic definitions of the political nation often led to expropriations not only of the non-resident capital owners, but also of

those belonging to the local minorities, notably Germans and Jews (Berend 2000; Pogany 2006; Schultz 2006; Szlajfer 1990; Teichova and Cottrell 1983). State socialism did little to attenuate these protectionist impulses, despite the change in ideological banner, and the topoi of autonomous national development, sovereignty, and emancipation from foreign influence continued to dominate economic discussions.

As the socialist regimes crumbled, nationalism once again became a powerful political force in the region. Although East-Central European states were spared the worst outbursts of ethnic strife which engulfed other parts of the former Eastern Bloc, many of them had only just regained independence, most witnessed a revival of historical grudges and minority issues, and all grappled with competing ideas about the definition of the nation and national interests in a new international context (Brubaker 1996; Calhoun 1993; Verdery 1998). This time around, however, widespread political nationalism did not result in the rejection of foreign capital. On the contrary, FDI had even become a matter of national pride and interstate rivalry, with the regional governments of all colors vying to attract flagship investments to their own jurisdictions (Bandelj 2008; Bohle and Greskovits 2012).

This brings us to the second issue, namely the fact that this combination of widespread political nationalism and outright enthusiasm for foreign ownership sits uneasily with the traditional understanding of the place of national interests in economic policy-making. In mainstream economic writing, as well as in the more realist strands of international political economy, national concerns are usually invoked to describe the suspension of economic rationality for the sake of an alternative system of values, be it security, tradition, or prestige (Barber 1995; Johnson 1967). Because economic rationality is equated with free trade and efficient allocation of capital, “economic nationalism” becomes shorthand for a bundle of protectionist policies that defy these principles (Helleiner 2002; 2005). However, such a narrow understanding of the national interests as non-economic, or even anti-economic does very little to explain the positive attitude toward foreign investment in East-Central Europe. It would in fact be very difficult to construe ECE’s enthusiasm for FDI as a unique emancipation of the economic sphere from the nationalist spirit which continues to pervade other aspects of their social and political life. On the contrary—as will be shown in the remainder of this chapter—the decision to embrace FDI was often closely linked to the same national concerns that, in other circumstances, had been used to justify precisely the opposite policy. Moreover, over the course of the post-socialist transition, economic policies of different ECE states incorporated striking combinations of protectionist and liberal measures that defy the simple opposition between “national” and “rational” economic logics.

The aim of this chapter is to examine in greater detail these variations in policy toward foreign investment in the post-socialist East-Central Europe, and show their connections to different understandings of national economic interests. The consensus on the benefits and desirability of foreign capital in East-Central Europe did not arise all at once—the early transition period was marked by a variety of approaches, not all of them friendly toward foreign investors. Nor was there a clear-cut division between “liberal” and “nationalist” orientations. Depending on the prevailing political understanding of the nation and its needs, some countries could simultaneously promote openness toward FDI and protectionist trade policies, while others engaged in zealous trade liberalization but shunned foreign ownership. In that sense, this chapter contributes to the recent constructivist turn in the debate on economic nationalism, which seeks to broaden the field of inquiry into the relationship between economy and nationhood by rejecting *a priori* equivalence between national interests and specific economic policies, protectionist or otherwise (Helleiner 2002; Pickel 2003, 2005; Shulman 2000).

At the same time, given the eventual convergence of all countries of the region on a policy of promotion of foreign direct investment, the chapter also aims to shed some light on the mechanisms through which certain conceptions of national economic interests lose their dominance and are supplanted by others. As will be shown in the subsequent analysis, the most important element of this mechanism is the ability of any policy that claims to represent the national interest to deliver concrete economic benefits. Contrary to the mainstream arguments against economic nationalism, the appeal to higher national interest is rarely non-economic. Even when they invoke such alternative values as autonomy, welfare, or national security, most arguments for or against FDI in East-Central Europe have been couched in terms of economic rationality and efficiency, and ultimately judged by their performance. This is especially important because all economic policies are bound to have strong distributional effects—in other words, to benefit some parts of the nation more than others. Consequently, if they are found to be unsuccessful, they easily become discredited as mere expressions of particularistic interests and lose their legitimacy to represent the “national.”

That said, economic performance of any individual nation is hardly ever judged solely on its own merit. Especially in the context of the region’s race to join the European Union, benchmarking and competition among the neighbors became an important measure of success, driving imitation and policy convergence (Bohle and Greskovits 2012). In addition to very real policy limitations imposed by the EU integration process, outside approval also became an integral element of the legitimacy of different policy options. Importantly, this quest for external validation included not only the

key international agencies such as the EU, but also the foreign investors themselves: there is indeed little that can boost the confidence in a nation's economic prospects as much as the willingness of outsiders to entrust it with large amounts of capital.

This also highlights the ambiguous position of FDI in relation to the national self-image. On the one hand, foreign engagement can trigger fears of dependence, loss of autonomy, and the perennial suspicion that the activities of foreign firms can never be truly aligned with local interests. Their status as outsiders also means that any conflict with the authorities, workers, or other firms will be more salient and frequently interpreted in this "national" key (Bandelj 2006b). At the same time, it is precisely this outsider position that gives them a special place in the narratives about national worth, as objects of prestige and competition with other nations, and as sources of external validation of the national economic potential. The exact shape of the response will depend on a variety of factors: prior experiences, international circumstances, and not least the nature of investment itself. In any case, the articulation of national economic interests in relation to foreign direct investment is bound to remain a matter of complex negotiations.

This chapter proceeds as follows: The first section outlines the classical arguments for and against foreign capital, linking them to different conceptions of national interests. Rejecting the commonplace association between national interests and protectionism, it shows that the same kinds of arguments can be used to justify protection or defend a favorable stance toward foreign capital. Far from rendering the notion of economic nationalism irrelevant, however, this ambiguity is useful precisely because it offers us an inroad toward more structured research into national interests. The second section of the paper then explores how these competing conceptions have resulted in a striking variation in FDI-related policies in the early stages of transition, even among the countries with relatively similar historical backgrounds. Section three then explores how this early variety was eventually replaced by convergence toward FDI-friendly policies. It traces the origins of this shift to the failure of alternative national economic projects on the one hand, and on the other to the strong external legitimization frame in which FDI became synonymous with economic success.

Foreign Investment and National Interests

For most of the twentieth century, FDI had been considered one of the more politically sensitive aspects of economic exchange among nations. The reluctance to allow free flow of capital was especially widespread among late developing countries in the postwar period, as the fear that

competition from foreign firms would destroy the fledgling domestic champions or deplete local resources combined with the newly found national assertiveness and mistrust toward the former imperial centers (Burnell 1986; Chang 2004; Gereffi and Evans 1981; Kofman 1997; Macesich 1985). Until the debt crisis of the 1980s dried up the supply of commercial lending to developing countries, even those states which relied on foreign finance for development preferred borrowing to the more “intrusive” direct investments (Stallings 1990). It is therefore small wonder that until very recently liberalization of capital flows trailed far behind trade liberalization. In fact, it was not until the 1994 Uruguay Round of negotiations that the WTO decided to tackle some of the more discriminatory measures imposed by its members on the incoming foreign firms. As highlighted in the introduction, however, despite this lack of empirical coincidence between policies devised to restrict free movement of goods and those targeting capital, the two are frequently bundled together under the same heading of “economic nationalism” (Pickel 2003). They are also considered to be equally misguided: much like free trade, foreign direct investment is believed by most economists to bring extensive benefits to the host states, from fresh financing to the diffusion of new skills and technologies (Blomström and Kokko 1998; Moran, Graham, and Blomström 2005).

The arguments which justify restrictions against FDI thus also follow broadly similar lines of defense as those contesting the all-pervasive benefits of free trade. These comprise both economic and non-economic conceptions of the national interest, and can be roughly divided into three types of claims, concerning security, welfare, and economic development (also Fetter, this volume). The first argument, dubbed “Schmittian” (Rosamond 2012) justifies exclusion of foreign investors from certain activities where they may interfere with the priorities of national security or sovereignty, that is, defense, energy, or other vital services. Similar arguments apply to marketization of such activities in general, but the added suspicion toward foreign capital comes from concerns that such investment is not simply driven by private profit considerations, but is also linked, or can be linked, to political interests of its home country. Historically, such fears were particularly widespread in the countries that had relatively recently emerged from imperial rule (e.g. Amsden 1989; Macesich 1985), but they are likely to manifest whenever there are strained political relationships between the firms’ homes and their host countries. It does not help that the more influential states have indeed been known to throw their diplomatic and military weight behind their companies’ business interests abroad (e.g. Krasner 1978).

This crude link between the interests of private firms and their home country’s foreign policy is not the only way in which foreign investors are

expected to affect aspirations or independence of host nations. Even by simply pursuing their own profit interests, powerful multinational firms can sway government policies and interfere with the local interests which go beyond simple accumulation of capital. The proponents of this view typically contest the narrow liberal conception of economic benefits of free trade and capital movement, pointing to the possible negative consequences on employment, equality, quality of life or working standards. Appealing to the principles of social justice, the “welfarist” argument against FDI is thus more often couched in social democratic or socialist than nationalist terms. Typical examples include the contention of the Latin American left that redistributive land reform was made more difficult by the presence of large foreign landowners (Frank 1969; see also Sunkel 1972), or the nowadays more commonly heard fears that the desire to attract foreign investment leads host governments to lower labor protection or environmental standards (Gallagher and Zarsky 2007; Mosley 2010). Besides outright opposition to foreign ownership, preconceptions about differences in the national styles of management, shareholder orientation or attitudes to labor can also serve as a basis for discrimination among investors from different countries (Bandelj 2008).

Finally, there is a long tradition of scholarship that opposes foreign investment strictly on the grounds of national economic interests, questioning the purported positive contribution of FDI to development and growth. Probably the most comprehensive challenge in this direction has been formulated by dependency theory, as a complement to the Listian case for infant-industry protection. According to this view, free exchange of goods and capital between countries at unequal levels of development locks poorer states into export of resource- or labor-intensive products, and a degree of isolation may be necessary to accomplish a structural shift toward more lucrative technology- and skill-intensive activities (e.g. Prebisch 1962). However, the role of foreign investment remains somewhat ambivalent. On the one hand, free flows of foreign capital reinforce the existing division of labor by allocating investment to activities in which a country already has comparative advantage. On the other hand, foreign firms hold the key to technology and capital necessary to initiate production in the coveted new industries. This “Listian” argument therefore rarely advocates complete elimination of FDI, but it does suggest that such flows should be circumscribed and strongly regulated—a view that has survived in much of development literature well after the demise of dependency theory (see e.g., Amsden 2001; Chang 2005; Gallagher 2005).

In fact, it is perhaps most surprising that each of the arguments outlined above present only a very limited case for the opposition to foreign direct investment—either by restricting their claim to specific sectors or circumstances or by favoring regulation over outright bans. This does not, how-

ever, mean that the place of national interests in economic policy-making is equally limited. By restricting the empirical field to the cases in which national interests appear to require protectionism—as implied by the traditional understanding of economic nationalism—we turn a blind eye on a much broader area of inquiry into the ways in which different understandings of national interests influence the creation of economic policy. Indeed, even the concerns outlined above, which can be considered textbook justifications of protectionism can—and frequently are—used to argue for greater foreign involvement.

The most obvious is probably the “Listian” argument, which already in the original formulation implies that in principle foreign investment can be a driver of development, and only contests the amount of regulation required to bring such benefits to the surface. Possibly because dependency theory was so successful in its critique of the role of foreign corporations, even the standard economic account of FDI performance in developing countries is not phrased so much in terms of efficient allocation of capital as in terms of specific benefits to the host country. The typical argument revolves around the effect of spillovers, which are unintended, uncompensated positive externalities of FDI on domestic firms: because multinational firms cannot fully protect their technology and skills, through demonstration, interaction, and labor turnover they pass these superior assets onto local firms, thus improving their productivity (Blalock and Gertler 2008; Blomström and Kokko 1998; Javorcik 2004; Lall 1980; Venables and Markusen 1999). Strangely enough, in this view the FDI effectively becomes a form of subsidy to domestic enterprises, helping the local economy to increase productivity and competitiveness and thus eventually reduce its dependence on outsiders (Moran 1978).

Similar counterarguments have accompanied the “welfarist” concerns, suggesting that foreign capital can serve as a vehicle for diffusion of higher labor and environmental standards (e.g. Mosley and Uno 2007; Mosley 2010). This argument has indeed garnered a lot of attention in East-Central Europe: it was not rare that the workers of privatizing enterprises supported takeovers by foreign companies, hoping to see rigid socialist workplace hierarchies replaced by more cooperative, appreciative and, above all, more efficient and profitable management strategies (Dunn 2004; Ost 2005).

Finally, even the argument about FDI and national security depends very much on where the perceived threat is coming from. For a small state living in fear of a larger neighbor, the most effective strategy may not be to seal its borders, but to diversify economic links and forge new alliances (Abdelal and Kirshner 1999; Abdelal 2001; Shulman 2000). A good illustration of this is an early interview with the first post-socialist Polish President, Lech Wałęsa, who in 1991 told the *Financial Times*: “We need foreign investment because it also gives us security. Having a Frenchman or

an Englishman here with his factory is like having a division of troops" (FT, April 29, 1991). Some years later, similar reasoning led the Lithuanian government to sell the controlling stake in the Baltic's largest oil refinery, Mažeikių Nafta, to an American company without prior announcement, in order to preempt a bid by Russia's Lukoil (Wenger, Perović, and Orttung 2006).

The classical understanding of economic nationalism as protectionism thus misses much of the interplay between nationalist considerations and economic policy-making. Just as the restrictions on FDI are not always motivated by non-economic motives, so the pro-FDI policies are not always driven by a commitment to liberalism and efficient allocation of resources. The fact that the same arguments can be used to support diametrically different policies does not, however, detract from their usefulness in helping us to explore alternative conceptions of national interest, and identify the relevant actors behind them. In both their liberal and protectionist varieties, "Schmittian," "Listian," and "welfarist" arguments each hold greater appeal for some parts of the nation than for others. The argument of national security may appear as the most encompassing one, but in the ethnically fragmented nations of Eastern Europe it can in fact often be the most divisive, when it is directed at the enemy within. Others imply a different axis of polarization: the "Listian" argument addresses primarily the fears and hopes of domestic capital, while the "welfarist" one appeals more directly to labor. This means that in any given country there will be competing economic interests vying for the claim to represent the "national" (see also Abdelal 2005; Eichler 2005). They may strike an alliance, but they may also clash: the desire to reduce the influence of German capital in Polish enterprises, for instance, for reasons of security and historical animosity can conflict with employees' preference for German over American styles of labor management (Bandelj 2006b; Jajeńskiak-Quast 2013).

Bearing these qualifying points in mind, these three basic lines of argumentation can be usefully employed as a typology of national interests to analyze the attitudes toward FDI in the East-Central European region. The advantage of this structure is that it greatly simplifies the task of comparison across countries and also allows us to some extent to identify the actors who stand to benefit from the resulting policies, thus clarifying the main internal fault lines in the debates about economy and the nation. Armed with this conceptual apparatus, the next section examines the variety of approaches toward economic internationalization in ECE during the early transition years.

Varieties of Early Internationalization Strategies

What made the question of foreign investment particularly poignant in East-Central Europe during the early 1990s is that it became inextricably linked to one of the most central problems of post-socialist transformation: privatization. Until the end of the decade, most FDI arrived to the region via full or partial takeovers of existing firms (Krkoska 2001), and even new investment often required the settling of thorny ownership rights over real estate. This makes the early transition years particularly interesting for the study of the relationship between FDI and national interests. Full-scale privatization of the formerly commonly owned property was in itself bound to raise complex questions about the relationship between economy and the “nation,” such as those of equality, justice, and which part of the nation deserved to become rich. Fitting the foreigners into this equation only added to its complexity, as did the absence of any apparent expert consensus on the most appropriate strategy for the divestment of state property. While the international advisors all agreed that privatization was the precondition for these countries’ transformation into functional market economies (e.g. Sachs and Lipton 1990), opinions diverged over the consequences of alternative strategies for economic performance.

The most relevant distinction between privatization methods from the point of view of FDI was the degree to which they allowed participation of outsiders. Privatization through direct sale gave greatest access to the foreign firms, as it selected the future owners exclusively according to the price they offered for property in question. Moreover, although seemingly indifferent to the identity of the bidder, this method in effect privileged foreign over domestic actors, who lacked funding to compete with multinational firms. By contrast, voucher privatization was only open to nationals, while management-employee buyouts (MEBOs) gave privileged access to an even narrower group of insiders. Surprisingly enough, although apparently both the most liberal and the most efficient, the method of direct sales won little support among foreign advisors (Åslund 2002; Mihályi 2001). Part of the reason was that the tendering procedures gave politicians a lot of control over the privatization process, making it vulnerable to corruption and insider dealing. But an equally important concern was that direct sales were bound to lead to a highly unequal distribution of resources, potentially dampening public support for privatization. Voucher privatization, on the other hand, was not only perceived as the fastest possible method of property transfer, but also carried a certain populist appeal (Gould 2003; Grabher and Stark 1996). On the downside, it was unlikely to bring any new capital into the economy, and was also vulnerable to failures of corporate governance (World Bank 1996). Management buyouts proved even more controversial. They gave control to the people who knew

the most about the firms and their market potential and also kept property in national hands (Mencinger 1996). Unfortunately, those were also likely to be the hands of the former *nomenklatura*, who were neither considered the worthy heirs of the national wealth, nor could be trusted to ensure their firms' prosperity in a free market environment (Bornstein 1997; Stark and Bruszt 1998).

The fact that the problem of privatization escaped straightforward interpretations of both economic rationality and national interests goes some way to explain the bewildering variety of policy responses in ECE. Direct sales became the dominant mode in privatization in Hungary and Estonia, but were soon abandoned in the Czech Republic, which turned to the mass voucher model. Slovenia, for its part, was the only ECE state to rely on employee buyouts as the principal method of privatization. Others had more mixed trajectories: mass vouchers were also popular in Latvia and Lithuania, but the former switched to direct sales in 1998 and the latter combined vouchers with employee buyouts. Poland experimented with practically every known method of property transfer, considerably slowing down the process, while in Slovakia the privatization process nearly ground to a halt after the split of Czechoslovakia, allowing political insiders to take control of the largest firms. While each of these could offer a fascinating case for the study of the co-evolution of economic policies and arguments about national interests, this chapter focuses only on the "purest" types—the Czech Republic and Slovenia as examples of insider-oriented, and Estonia and Hungary as cases of outsider-oriented privatization. The aim is not so much to explain the overall choice of the privatization strategy, but to highlight how sometimes very similar policies could be justified by starkly different conceptions of national interest.

Outsider-Oriented Privatization: Pragmatic Developmentalism Versus Nationalist Neoliberalism

Hungary was the first country in East-Central Europe to open its privatization process to foreign investors: as early as 1989, the last socialist government was already making plans for the sale of fifty-one public enterprises to foreign companies (Stark and Bruszt 1998). This program quickly expanded following the change of regime, with the government organizing auctions for the sale of shares in industrial enterprises, banks and even public services (Bandelj 2008). Foreign companies were among the most prominent buyers. By 1996, 40 percent of all assets slated for privatization had already been transferred into foreign hands (Table 10.1) and Hungary single-handedly accounted for more than a third of all FDI flowing into the region (UNCTAD 2000). In 1993, Estonia followed suit. Making up for

the slow start, it succeeded in privatizing 90 percent of its industrial enterprises in a mere three years, 60 percent of which were sold to foreign investors (Nellis 1996). Despite the broadly similar policies, however, the political and ideological climate in the two countries could not be more different.

Hungary's choice of outsider-oriented privatization has often been explained by pragmatic considerations. At the end of the 1980s, the country's per capita foreign debt was among the highest in the world, and the sale of enterprises to foreign owners was not only considered a good way to raise hard currency to service debt, but also a way to avoid taking on new debt in order to finance restructuring (King 2001). The Hungarian economy was, in other words, already highly vulnerable to foreign interests. Privatization was one way to exchange dependence on foreign creditors for a dependence on foreign investors, who would have a more immediate stake in helping the economy grow (Stark and Bruszt 1998). But the liberal attitude toward foreign participation was not limited to the immediate financial concerns. In addition to selling its firms to foreign owners, Hungary was the first—and for a long time the only—country in the region to include foreigners into its restitution program. While other countries limited the right to restitution either to current citizens or only to those who were expropriated after 1945 (thereby *de facto* excluding most of the “foreign” German, Jewish, or Hungarian population that had already been expelled by that time), Hungary allowed all former Hungarian citizens to claim restitution, extending the cutoff date to May 1939 in order to compensate expropriations made under the interwar anti-Semitic laws (Gelpern 1993).

Interestingly enough, Hungary's liberal attitude to foreign ownership stands in stark contrast to its very reluctant and gradual policy of trade liberalization. Defying the common association between protectionism in trade and capital flows, Hungary combined openness to FDI with a decidedly Listian approach to trade. Import tariffs on manufactured goods remained above the regional average well into the 1990s, and a complicated system of licenses and quantitative restrictions was set up to protect resident producers (Kaminski, Wang, and Winters 1996; WTO 1998). Moreover, foreign-owned firms were often the most prominent beneficiaries of state protection. The standard subsidy package included a five-year tax holiday and a discount corporate tax rate on reinvested profits (Antalóczy and Sass 2001), but particularly large ventures could count on more than just the standard package: the tariff policy on some products, such as cars, was often directly tailored to the needs of particular investors (Moran, Graham, and Blomström 2005).

Hungary's blend of political liberalism and pragmatic developmentalism could not be further from the militant neoliberalism which accompanied Estonia's opening to foreign investors. The earliest privatization attempts in

Estonia, which began while the country was still part of the Soviet Union, took the form of employee-management buyouts. The new government of independent Estonia quickly replaced this insider-oriented scheme by a privatization policy designed to strengthen the position of ethnic Estonians over the resident Russian population. Mass vouchers were distributed to all citizens, but their value was indexed to the number of years spent working in Estonia, which disadvantaged the more recent immigrants from other parts of the Soviet Union. The same was true of the restitution program, which promised to compensate the full value of property nationalized after Estonia's incorporation into the Soviet Union in 1940 (Andersen 1997; Mole 2012). In 1993, a new government coalition, symbolically named "Fatherland," changed the privatization program once again. Direct sales became the dominant form of privatization, with an explicit preference for foreign buyers. The aim was to speed up the pace of privatization as much as possible. Part of the reason was a fear that protracted privatization and diffuse ownership would strengthen the hand of insiders and the "mafia," as already seemed to be happening in Russia (Hare, Batt, and Estrin 1999). But foreign ownership also promised to improve Estonia's access to the Western markets and reorient the country's trade away from Russia, a task turned all the more urgent following the 1993 trade embargo imposed by Russia in retaliation for Estonia's restrictive citizenship laws.

Russia's reaction only strengthened a decidedly Schmittian conception of national economic interest, but in this case it was seamlessly merged with the ideological neoliberalism of the new Prime Minister, Mart Laar. Estonia responded not with protectionism, but with a spate of liberalization that drew cries of caution even from the IMF. In less than a year, it abolished all trade protection, pegged its newly introduced currency to the Deutschmark, introduced a single, low flat tax on personal and corporate income, and imposed a tight budget which did away with all subsidies to the private sector (Åslund 2002; Bohle and Greskovits 2012; Kaminski, Wang, and Winters 1996). Unlike Hungary, which protected both domestic and foreign firms to ensure a smooth restructuring process, Estonia tried to make itself less vulnerable precisely by opening its economy to the gale of global market forces and forcing its firms and citizens to "toughen up." The exercise was not only meant to distance the country from the immediate Russian threat, but also to purge the economy and the national spirit of the presumably debilitating legacies of the Soviet system (Bohle and Greskovits 2012). Accordingly, the government made no effort to sweeten its offer to foreign investors with special subsidies: instead, it relied on Estonia's emerging brand as a country with minimum regulation, at the cutting edge of economic reforms. Nevertheless, regarding foreign investment, Estonian liberalism remained decidedly nationalist. Although the country has no official policy of discrimination among foreign investors, Russian

firms play a conspicuously small role in the Estonian economy: as late as 2002, Russia's share of FDI stock in Estonia was a mere 1.2 percent (Hunya 2004).

Insider-Oriented Privatization: Neoliberal Nationalism Versus Protectionist Social Democracy

Czech Republic and Slovenia took a far more cautious approach to foreign investors, and indeed did everything in their powers to keep foreigners out of the privatization process for as long as possible. Once again, however, the justifications mounted to defend their policy choices were as far apart as those of Estonia and Hungary. If anything, the ideological background of the Czech privatization scheme, best exemplified by former Czech Prime Minister and President Václav Klaus, was probably the closest to the mixture of nationalism and crusading ideological liberalism witnessed in Estonia. The policy outcome, however, was precisely the opposite.

The first attempt at privatization in post-socialist Czechoslovakia had in fact began with direct sales, with the new government staking out a list of sixty enterprises to be sold to strategic investors. This meant emphatically foreign investors: the list was officially revealed for the first time during the visit of the state Minister for Industry Jan Vrba to the London office of the Bankers Trust International (Prokesch 1991). Like in Hungary, there was nothing especially liberal about this policy—rather, it was a way of raising funds to rescue the Czech national champions. The first landmark agreement for the sale of the famous carmaker Škoda was not even concluded with the highest bidder. Instead of selling Škoda to Renault, which offered the highest price, the government made a deal with Volkswagen, which promised to preserve the Czech brand and offered a long-term plan for the restructuring of the company (Dörr and Kessel 1999; Pavlínek 2008). To make sure the German company delivered, the government kept 30 percent of company shares until 2001.

Although Škoda turned out a success, the case nevertheless became highly controversial, and eventually led to a split between the minister for industry, Jan Vrba, and the then-minister of finance, Václav Klaus (Appel 2004). Klaus was unhappy with the direct sales for several reasons. As a committed liberal, he wished to bring the transition to the market economy as swiftly as possible, and was afraid that direct tenders would take too long, and give time to the insiders to mount opposition to privatization. What is particularly striking is that the similarly liberal Estonian government favored direct sales for precisely the same reason. The difference, however, was that the Czechs also believed their industrial heritage to be valuable, and were not ready to divest it at fire-sale prices (Bohle and

Greskovits 2012). This meant that the direct sales would oblige the government to remain deeply involved in the preparation and supervision of the restructuring process, which the Czech liberals were eager to avoid (Drahokoupil 2008; McDermott 2002).

Klaus had yet another reason to oppose direct sales. Mass issue of privatization vouchers to all adult citizens, which his new government instituted as soon as it came into office in 1992, was not only faster, but also promised to strengthen support for transition and create a vested interest in the broader population for the survival and success of capitalism. The appeal of the program would be greatly diminished if the best enterprises were taken out of the bidding process and sold to foreigners. The ensuing policy shift was also helped by a temporary outburst of nationalist sentiment, triggered by the split of Czechoslovakia and the rising fears of German revisionism which resurfaced during the debate on property restitution. It certainly did not help that 80 percent of all capital in the first two years of privatization had indeed come from Germany. Klaus himself was probably also something of a nationalist in this more traditional sense: he believed that Czech industry was in sufficiently good shape to pull through without foreign help, and bristled at the suggestion that the foreigners were interested in the Czech Republic for its low wages. But his pandering to the nationalist cries against “selling the family silver” was largely a political maneuver to push through the voucher method (Drahokoupil 2008). For Klaus, the “nationalist” value of mass privatization was not so much the fact that it excluded foreigners, but rather that it helped to create a nation of property owners and inculcate them with capitalist instincts of responsibility and risk-taking (Appel 2004; Eyal 2000; Orenstein 2001). The Czech opposition to FDI is thus best described as a neoliberal variant of the protectionist-welfarist argument. Foreign investment was undesirable because it interfered with the social and moral aspirations of the nation, even if those aspirations were couched in strongly neoliberal terms.

Slovenia’s version of insider privatization was as far from these considerations as the Estonian nationalist liberalism was from Hungary’s pragmatic developmentalism. To begin with, the primary beneficiaries of the property transfer were not citizens at large, but rather the current employees of the Slovenian firms. Vouchers were distributed to the whole population, but only 20 percent of the asset value of privatizing enterprises was converted to shares which could be exchanged against these vouchers. Another 20 percent was assigned to the public pension and restitution funds, while the remainder could be disposed of in several ways: through public offerings, sale to strategic investors, or internal buyouts. Enterprise insiders received special advantages in two ways. First, they could buy the shares in their company at a 50 percent discount, with payment deferred for up to five years. Second, it was the enterprise council itself (comprised of managers and

employee representatives) that decided on the method, which meant that even if they did not keep majority ownership, the insiders still controlled the privatization process (Mencinger 1996). If the enterprise council so decided, it could also sell the controlling share to a foreign investor, but any sale exceeding 10 percent of company assets had to be approved by the Slovenian Privatization Agency. Moreover, Slovenia explicitly forbade full foreign ownership in a variety of sectors, including defense, air and rail transport, communication, publishing, media, and insurance (Dunning and Rojec 1993). Even where full ownership was allowed, the control was kept in the national hands by the clause that a majority of managers must be Slovenian citizens. By the late 1990s, only 0.3 percent of the value of privatized assets was owned by foreigners (Simoneti et al. 2001).

The protectionist stance toward foreign capital was accompanied by an equally guarded approach to trade liberalization. Similar to Hungary, Slovenia dismantled its trade barriers only gradually and continued to support restructuring industries, and unlike the Czech Republic, it imposed stringent regulation on secondary trade in privatization vouchers. The privatization itself proceeded much more slowly than in the rest of the region: in 1996 the public sector still accounted for almost 50 percent of GDP (Table 10.1). Perhaps surprisingly, this resistance to free trade and capital flows was accompanied by remarkably little nationalist rhetoric. Against the backdrop of the bloody dissolution of Yugoslavia, Slovenia indeed appeared to be a beacon of political liberalism and democracy. Nationalist politics were shunned, and the 1992 elections brought in the Liberal Democracy of Slovenia, a party consisting largely of former reform socialists, which remained in power until 2004, and whose representatives justified protectionist policies by reference to the classical welfarist argument. The priority of LDS was to ensure a gradual, painless transition from the previous system, and to preserve as many of its advantages as possible—Slovenia's constitution defined the country as a "welfare state," and continued the legacy of the Yugoslav self-management system by guaranteeing workers decision-making rights (Lindstrom and Piroška 2007). The political strength of employee organizations was in fact partly responsible for the apparent hostility toward FDI, as they feared that the outside owners would rush the restructuring process, leading to a greater loss of employment (Bandelj 2006a). The legitimacy of insider privatization was further enhanced by the handout of remaining vouchers to the rest of the population, and by the fact that a good part of Slovenian self-managed firms were in fact doing rather well. This meant that the developmentalist argument in favor of foreign ownership had less purchase than, for instance, in Hungary. The Slovenian experts maintained that there was no harm in leaving out the foreigners because the well-to-do companies did not need them, and for the loss-making ones there were anyway no buyers (Mencinger 1996, 2003).

This is not to say that other considerations did not intervene. Especially after 2001, when the rules of EU accession imposed full liberalization of the investment framework, several debates erupted over the true meaning of Slovenian “national interest” with respect to foreign takeovers of the Slovenian banks and breweries (Bandelj 2006a; Lindstrom and Piroška 2007). These ranged from the more nationalist claims, such as those that domestic ownership was essential for “economic self-expression” of the nation, to the more pragmatic Schmittian reservations toward Italian takeovers in the historically contested Western regions. Nevertheless, these have mostly remained secondary to the social democratic welfarist concerns (Bandelj 2006a).

Table 10.1 Privatization strategies, foreign participation and trade protection in four ECE states, 1996

	Hungary	Estonia	Czech Rep.	Slovenia
Privatization (% of assets offered for privatization)				
Outsider-oriented (sales)	40	60	5	2
Insider-oriented, of which	6	25	55	65
<i>MEBOs</i>	2	12	0	44
<i>Vouchers</i>	0	3	50	19
<i>Restitution</i>	4	10	5	9
Private sector share of GDP	70	70	75	55
FDI stock as % of GDP	38.6	22.5	15.5	10.8
Tariff revenues (% imports)	9.1	0.0	2.6	7.1

Source: Privatization: World Bank 1996 and Simoneti et al. 2004; FDI stock: UNCTAD World Investment Report 2000, Private sector share of GDP and tariff revenues: EBRD structural change indicators

Convergence Toward FDI

Clearly then in the early 1990s in East-Central Europe, there was very little correspondence between political nationalism and opposition to FDI, or even between FDI and economic liberalization in general. Rather, most of the countries in the region embraced some mix of openness and protectionism, and supported their choices by very different conceptions of national interest. Both Hungary and Estonia sold their enterprises to foreign owners, but while Hungary stressed the developmental aspects of FDI, Estonia considered it the fastest route to liberate the country from the baggage of the socialist past, including the influence of its Russian minority. The Czech neoliberal government had similarly thought of privatization as a

way to purify the national spirit, but nevertheless choose to leave the foreigners out. Slovenia did the same, but for the opposite reason: in order to preserve the valuable legacies of the previous system.

These findings support my earlier claim that there is indeed little reason to expect the invocation of higher national interests to lead to a uniform set of policies, even among countries with relatively similar histories and geopolitical background. National interests are complex constructions, which involve multiple, sometimes conflicting priorities, and are as much a result of internal power struggles as of some shared notions of the national purpose and history (Abdelal 2005; Eichler 2005). Moreover, once they are applied to specific economic circumstances, the principles of economic rationality may be far more blurred and open to policy interpretation than is commonly suggested by simple textbook models. Early privatization in East-Central Europe may be an extreme example of this indeterminacy, but most economic policies are subject to similar competing claims about efficiency and distributive outcomes (Beckert 1996).

Given the possibility of multiple interpretations, the truly surprising aspect of ECE's policies toward FDI may not be the initial variety of approaches, but the fact that by the end of the 1990s all countries of the region, regardless of their initial position, converged on a single policy of enthusiastic support for foreign investment. To some extent, this was a result of the EU accession process, which obliged the accession countries to remove all formal restrictions on FDI. But the policy shift in the region went far beyond the compliance with liberalization: indeed, their commitment to FDI frequently drove policies which surpassed, and at times even contradicted the EU's liberal investment regime (Bandelj 2009).

The first sign of this substantive shift was the switch in privatization strategies. Whereas in the early 1990s only Hungary and Estonia opted for direct sales as the primary mode of privatization, by 2001 these became the dominant method in nearly all ECE countries (Gouret 2007). Sometimes dubbed the second wave of privatization, these sales largely concerned firms in strategic sectors such as banking, energy and telecommunications. In practically all countries except Slovenia, the share of foreign-owned affiliates in banking reached 60 percent at the turn of the century, and continued to climb thereafter (Table 10.2). While the EU indeed pressured ECE states to speed up banking privatization, no official policy implied that they should be transferred to foreign owners. Nevertheless, in 2002 even Slovenia tried to join the club, offering two of its largest banks for sale to strategic foreign buyers (Lindstrom and Piroška 2007).

Table 10.2. Openness to FDI in East-Central Europe, 1994 and 2001

	Main privatization method		Incentive index ^a		Share of foreign banks in total bank assets (%)		FDI stock as % of GDP	
	1994	2001	1994	2001	1994	2001	1994	2001
Czech Rep.	mass	sales	1.93	4.06	11.2	89.1	10.0	42.1
Estonia	sales	sales	2	1.4	0.3	97.6	11.3	50.5
Hungary	sales	sales	3.13	4.33	13.3	66.5	16.7	52.0
Latvia	mass	sales	2.33	2.93	34.6	65.2	9.0	28.3
Lithuania	mass	mass	3	3	0	78.2	5.0	21.8
Poland	MEBO	sales	3.4	3.8	3.4	72.2	3.5	21.7
Slovakia	mass ^b	sales	1.47	4.2	12.7	78.3	5.7	38.5
Slovenia	MEBO	MEBO	2.67	2.87	3.9	15.2	8.8	12.7

^a Composite index based on frequency and generosity of different investment measures, where 0=no incentives and 5=high level of incentives. Three-year averages, adapted from Cass 2006

^b Replaced by insider buyouts in the following year

Source: EBRD Transition Reports, Cass 2006, UNCTAD Word Investment Report 2012

Another sign was the fact that by this time all countries of the region had set up investment promotion services in order to facilitate the entry of foreign capital, complete with offers of extensive incentives to new investors (Bandelj 2008; Cass 2007). These ranged from tax discounts to outright cash subsidies, and soon grew in generosity as the countries began to compete for FDI (Drahokoupil 2008; Kolesár 2006). Subsidies were combined with new liberalization measures: one after another, the new EU member states dismantled their corporate income taxes and ushered in new rounds of labor market reforms. Profit tax rates fell far below the EU average and Estonia completely abolished its own in 2000 (Bohle and Greskovits 2012). At the same time, the support for foreign companies far surpassed any financing that was available for development of domestic firms, and often went well beyond what the European Commission considered to be warranted by an open door policy. Poland repeatedly clashed with the Commission because of tariff concessions granted to the newly arrived carmakers, and both Poland and Hungary spent a good deal of EU membership negotiations fighting to preserve the incentives they had already granted to investors, but which were deemed excessive under the EU rules (Bohle and Husz 2005).

What explains this overwhelming shift in perspective? First of all, with the privatization already far advanced, the stakes in the struggle over the definition of national economic interest appeared to be much lower. The sale of remaining public firms, however high-profile they may have been, was a relatively limited phenomenon, which was unlikely to raise the same questions of distributive justice and national purpose as the early privatization wave. FDI now came mainly in the shape of greenfield investments, which were more likely to elicit positive popular response, bringing in fresh capital and jobs without any of the headaches associated with foreign takeovers (OECD 2007). In practice, there was often precious little difference between the two, given the huge productivity gap between domestic firms and the incoming multinationals. If they were not bought up, former national champions were mostly squeezed out of the market or at least heavily downsized. The effect is obvious if one compares the market size of domestic and foreign firms: by the late 2000s, foreign companies in ECE states accounted for nearly three quarters of manufacturing output. In the main export industries, such as automotives, their share could be as high as 95 percent (Šćepanović 2013). Nevertheless, years of restructuring meant that unlike in the early transition years there were now very few domestic companies large enough for their fate to become a matter of truly national proportions.

The second reason has to do with the series of economic and political crises which led to the collapse of national capitalist projects across the region. The most spectacular turnarounds were those of the Czech Republic and Slovakia: Poland had arrived to its externally-oriented path more gradually, having changed its mind about foreign investors and privatization several times in the course of the 1990s (Drahokoupil 2008). A systemic banking crisis in 1998 severely undermined the “Czech way” toward capitalism, revealing high levels of non-performing loans that were accumulated by companies privatized through the voucher method. Mass privatization proved to be susceptible to problems in corporate governance, and although unemployment remained low, the restructuring process had advanced too slowly. Worse, instead of empowering the people at large, dispersed ownership actually facilitated shady insider dealings (Myant 2003). The Klaus government and its revolutionary experiment in neoliberal social engineering collapsed amidst privatization-related corruption scandals, and the new Social Democratic government was left to pick up the pieces—which it did by selling the companies off to foreign investors. A similar fate befell Slovakia, where the attempt to build a national bourgeoisie under the nationalist, semi-authoritarian government of Vladimir Mečiar resulted in the distribution of key enterprises to political insiders. Lagging political reforms brought Slovakia under criticism from the important international players: an exasperated US Secretary of State, Madeleine Albright, fa-

mously referred to the country as the “black hole in the heart of Europe,” and the European Commission threatened to leave the country out of the list of frontrunners for EU membership. By the time Mečiar was finally toppled in 1998, the nationalist capitalist project was thoroughly discredited, and the economic situation deteriorated, leading to high levels of unemployment. To distance itself from the previous regime, the new government led by Mikuláš Dzurinda completely reversed the economic course. Most importantly, it opened the privatization process to foreign investors, and soon afterward introduced a wide range of incentives, from subsidies to a flat tax regime (Fisher, Gould, and Haughton 2007).

The mechanics behind the collapse of national capitalisms reveal a strong connection between the economic performance of a system and its legitimacy. In both the Czech Republic and Slovakia, privatization methods that were once seen to embody the highest national purpose were discredited as vehicles of particularist interests once the crisis began. The Slovak project of “national capitalism” was now decried as “crony capitalism,” while the Czech populist privatization was revealed to have been nothing more than a scheme to bring Klaus to power and a smokescreen for insiders to “tunnel” assets away from their rightful owners (Gould 2003; Schwartz 2006). Slovenia held out for much longer, but the recent global financial crisis gave rise to very similar discourses. As the national banking system staggered under the weight of non-performing loans handed out to the various domestic champions, the country became engulfed in protests against political corruption and insider dealing.

However, what made this discursive shift especially convincing was the role of external legitimacy, as embodied in the levels of international approval of various transition projects. This was, of course, related to the objective success of the economy, but was also partly a result of the intellectual consensus among the key international actors about what constituted real success. Even though until recently Slovenia had probably the best track record of growth among ECE states, its experience was rarely suggested as an example for others to follow. By contrast, those who most enthusiastically embraced FDI, such as Hungary in the early years, or Slovakia after 1998, were often held up as models. The context of European integration, and the desire to make their economies more compatible with the standards of developed European economies made ECE states all the more susceptible to external judgment. Interestingly enough, this did not mean that they attempted to copy the structure of Western European economies, which themselves were often far less enthusiastic about foreign investment. Rather, their efforts were inspired by the widespread intellectual agreement among the key international actors—international institutions, the EU, and of course the investors—that foreign investment constituted the most effective road to successful transformation. In the reports on

the state of reforms, for example, FDI inflows were routinely reported as measures of progress alongside such indicators as price liberalization and infrastructural improvements (see e.g., EBRD Transition Reports). All this created a very strong association between foreign investment and economic performance, which made FDI not only a potential path to success, but also a measure of success in its own right (Bohle and Greskovits 2012). Winning important investments thus became a form of external vindication of the national worth: when in 2000, after three consecutive years of recession, the Czech Republic received a large investment by Philips, the head of the Czech Investment Promotion Agency, Martin Jahn, proudly explained: "If Philips believes in the Czech Republic this much, it must mean something" (Coffey 2000).

Liberalism Unlimited?

This chapter used the example of foreign direct investment in East-Central Europe to highlight the potential benefits of expanding our understanding of national economic interest toward a broader range of policies. In that sense, the findings of this study lend unambiguous support to the constructivist understanding of economic nationalism, which point to the problems of equating national interest with protectionism. As demonstrated in the analysis of attitudes to FDI in the ECE region, restricting our attention to the rare "nationalist" cases of hostility to free trade or foreign capital leaves out many valuable insights into the process of articulation of national economic interests. In the East-Central Europe of the post-socialist era, concerns about economic transformation and national purpose gave rise to many different policy approaches, which often combined openness and protection in different measures, and justified similar policies in drastically different terms.

However, while the number of possible permutations is large, not all arguments about national economic interests will translate into equally viable policies. If a certain economic idea is to represent actionable national interest, it must acquire a degree of internal legitimacy, by convincingly relating expected policy outcomes to the broader narratives about the nation, its needs and aspirations. But for a certain policy to continue being in the national interest, it must also deliver tangible economic improvements. The external context intervenes in this process in two ways: by restricting the range of possible policies (i.e., by limiting the amount of protectionism a state can impose before it encounters sanctions), and by providing a frame in which to judge the relative success of different models. In East-Central Europe, the convergence toward FDI was thus ultimately a result of two processes: the failure of most countries to develop a legitimate domestic

capitalist class, and the importance of external validation in the context of European integration. The latter not only imposed hard constraints against formal protectionism which the countries of the region had to abide by if they wished to gain membership of the EU, but also provided a strong intellectual consensus on the benefits of foreign investment in advancing the process of transition. Consequently, despite the variety of conceptions of national interest expressed in the early 1990s, by the end of the decade most ECE states concluded that their interests would be best served by a liberal, FDI-friendly set of policies.

This also points to the ambiguous nature of FDI from the point of view of national interests, and reveals an important internal contradiction that may yet undermine ECE states' "liberal" consensus on FDI. The problem, in short, is that even as the foreign companies are "domesticated" through their incorporation into the narratives about national interests, their foreign identity remains salient. Indeed, part of their importance lays precisely in their role as external arbiters of national success. In countries where the foreign firms account for a large share of the economy this also means that every skirmish between private capital and other actors can easily trigger national frames of reference. The decision of the Hungarian government to impose a special revenue tax on banks in the aftermath of the global financial crisis was widely decried in the foreign press as a nationalist attempt to "punish" foreign capital, even though the government insisted that it was only taking steps to prop up the budget by taxing the most profitable sector of the economy (see e.g., Fitzgeorge-Parker 2010).

In the long run, this may yet amount to another shift in the perception of the capacity of FDIs to further national economic interests. Economic crises can undermine the legitimacy of existing policy approaches, and question the extent to which they truly represent national interests, as opposed to those of a narrow foreign or domestic elite. Sluggish recovery and halting wage convergence with the West in the wake of the Great Recession sparked new debates in the region about the appropriate place of foreign investment, especially in those countries where the success of the FDI-driven sectors stands in sharp contrast with the struggling domestic economy. In Hungary, the former champion of FDI, leading politicians have threatened to bring multinationals in check and force them to surrender "excessive profits" they have harvested in the country (see e.g., Orbán 2013). In both Hungary and Poland attempts are underway to bolster a stronger domestic capitalist class, while in the Czech Republic and Slovakia the grievances have taken the form of complaints about persistently low wages in the foreign-owned manufacturing sectors. So far, none of this has brought a genuine shift away from the FDI-led growth model, but the region appears ready for another round of conversation on what really constitutes national economic interest.

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Economic Nationhood and International Migration: The Case of China

Pál Nyíri

The territorializing impulse of the modern nation-state and the global nature of the contemporary world economy are commonly perceived to be in tension. Similarly, the acceleration—in some cases real, in some cases only perceived—of international migration is usually celebrated or rued, depending on one's political stance, as a reflection of the nation-state's loss of control to the logic of global capitalism. While the reasons behind a person's decision to migrate can be diverse, they often include the desire to pursue a better life, including better economic prospects. In this regard, international migration appears to be at odds with the sense of economic nationhood, which would imply that one's livelihood is tied to the fortunes of the nation.

In reality, nationalist movements from the nineteenth century onward have often appealed to the support of fellow nationals beyond the borders to achieve their goals, including those of economic development. The goal of developing a national economy was central to many national liberation movements in empires, both land and colonial varieties, from Count Széchenyi's mid-nineteenth century Hungary to the Swadeshi movement in India and Sarekat Islam in the early twentieth-century Dutch East Indies. Not all of these movements had access to diasporas, but those that did often sought to make use of them. Chinese nationalists of competing strands, including reformist imperial officials, constitutional monarchists, and antimonarchist revolutionaries, began appealing to ethnic Chinese in the Southeast Asian colonies, as well as in North America and Australia, in the last decade of the nineteenth century (Duara 1997). After a long period of neglect, these overseas populations began to be recognized as both members of a yet-to-be-constituted Chinese nation and a source of investment and advanced knowledge to serve its development. In the 1920s and 1930s, Xiamen, a city in southeast China known for its history of emigration, harnessed its development model not simply to the capital of its diasporic descendants but also to their administrative know-how, claiming that such individuals were a more reliable resource for modernizing China than

the foreign investors and administrators who dominated Shanghai. During the Japanese occupation, Chinese in Southeast Asia both supported the war financially and organized boycotts of Japanese goods.

The Economy and the Overseas Chinese in the People's Republic of China

World War II and the subsequent Communist victory, which after a period of hesitation resulted in the establishment of a strictly territorial understanding of a multiethnic Chinese nation—modeled largely on the Soviet Union—brought an end to the ability and willingness of the Chinese state to draw its putative overseas children into the orbit of economic nationhood. The pendulum swung back after 1978, when Deng Xiaoping made economic development the key goal of the Party. Once again, officials began making the rounds of Chinese associations in Southeast Asia, calling on “patriotic overseas Chinese” to invest in the newly opened special economic zones (SEZs) (Nyíri 2002, 212–15). Symbolic and real incentives were created in the form of a law granting domestic family members of overseas Chinese special protections and in offering overseas Chinese investors tax breaks. Delegations of overseas Chinese entrepreneurs and organization leaders were invited to visit China, particularly the provinces of Fujian and Guangdong, home to both the most important SEZs and the largest overseas Chinese ancestral regions. They were received by officials, shown investment opportunities, asked for their advice, and generally treated as VIPs. This process intensified after 1992, when Deng restarted efforts to accelerate economic growth while facing a freeze of Western investment in the wake of the Tiananmen Square massacre. In 1995, delegations of overseas Chinese and Chinese from Taiwan, Hong Kong, and Macau received in Guangdong and Fujian alone totaled 270,514 members (Cheng and Ngok 1998). By all accounts, overseas Chinese investment played a vital role during this period in securing economic growth and thus in maintaining the legitimacy of the government.

Officially, the overseas Chinese affairs bureaucracy that was rebuilt after 1978 was only in charge of those Chinese overseas who retained People's Republic of China (PRC) citizenship. But as early as 1986, the head of the Overseas Chinese Affairs Office declared that ethnic Chinese holding foreign citizenship were both more numerous and had more access to resources, and should therefore be the main target of the Office's work (Zhuang 2000, 48). The primary task of attracting overseas Chinese investment was assigned to the governments of ancestral regions and carried out with the help of a discourse of love for the homeland. Appeals to Chinese patriotism, deemed more politically controversial—especially since many targeted investors were

citizens of Southeast Asian countries in which the loyalties of ethnic Chinese remained suspect—were continuously present but less prominent than the discourse of the “homeland spirit.” One manifestation of this was the support of ancestral-region governments for worldwide associations of descendants of migrants from their areas, which mushroomed in the late 1990s and early 2000s. Congresses of these organizations, when held in China under the patronage of local governments, often attracted thousands of delegates and served to generate more investment (Nyíri 2002, 215–18). Liem Sioe Liong (Sudono Salim), a native of Fuqing in Fujian Province who had migrated to the Dutch East Indies in his youth and later become a tycoon with close ties to Indonesian President Suharto, was invited to become honorary president of the World Futsing Association, established in 1988. As with other such associations, one of its goals as declared in its charter is promoting members’ participation in “homeland construction” and recruiting investors. In 1989, at the nadir of China’s economy and international relations, Liem led a delegation of the association to Fujian and was met by the provincial Party secretary at the airport (Pieke et al. 2004, 185). During the third congress of the World Futsing Association, which was held in Fuzhou, the capital of Fujian Province, Liem personally pressed the button to start the new water purification plant, for which overseas Fuqingnese had donated over \$30 million. Among the attendees of the congress was the Party secretary of Fujian Province, Xi Jinping, who later went on to become China’s top leader (Pieke et al. 2004, 185).

The World Futsing Association is one of hundreds of similar organizations, mostly based on area of origin, whose formation was encouraged by local governments and whose activities were closely linked to China’s goals of attracting foreign investment. The rhetoric and rituals of these organizations recast overseas Chinese identities, previously conceived largely within a binary framework of country of residence and area of origin, as global, linked to the PRC nation-state and to the economic growth led by the Chinese Communist Party. Indeed, public statements by the World Futsing Association’s leaders display an almost single-minded focus on modernizing China, while statements by officials in China both emphasize their patriotism and praise them as pioneering entrepreneurs who stand to benefit from China’s “rise.” As the Chinese government embraced private enterprise, historical accounts were also rewritten to recast late nineteenth- and early twentieth-century emigrants, previously portrayed as victims or accomplices of imperialism, as pioneers of a uniquely Chinese entrepreneurial spirit (see e.g., Fromm 2012): a view that echoed discourses of “Confucian Capitalism” already popular among Chinese in Southeast Asia as well as in Western business schools. This was what Aihwa Ong (1997) described as a “momentary glow of fraternity” cemented by a coalescence of business and state interests in a shared fantasy of a new Asian hegemony.

Ong speculated that the moment of fraternity “may not outlast China’s emergence as a superpower” (1997, 359). Indeed, the current escalation of the conflict over the South China Sea has complicated the collaboration of regional politicians with transnational Chinese capital. She also suggested that the reification of Chinese culture as the basis of transnational entrepreneurial capitalism has a decentering effect and is therefore fundamentally at odds with the territorializing logic of the nation-state. Yet so far, within the PRC, the two discourses of nationhood—the territorial discourse of the multiethnic nation and the deterritorialized one of a Chinese nation-race, but both firmly centered on Beijing and the contemporary Chinese state—have been able to coexist and become increasingly institutionalized (Barabantseva 2010). Meanwhile, even as wealthier overseas Chinese may not all be comfortable with the PRC’s assertion of its own official version of Chineseness as a standard, the emergence of China as a source of capital in the region—in addition to being the main destination of ethnic Chinese capital—has extended the reach and appeal of that version to ethnic Chinese in poorer countries such as Cambodia. Here, a refiguring of what being Chinese means is taking place under the influence of an increasing dependence on capital from China and the infusion of money, personnel, and content from the PRC in local Chinese-language media (Nyíri 2012). In different ways, a similar refiguring is taking place among some young European-born Chinese, who may be attracted by jobs in China while facing relatively limited prospects in a sluggish European economy and who often feel at home in a global Chinese-language entertainment industry largely still based in Hong Kong but increasingly centered on the PRC market (Chow 2011). Although these shifts in the global meaning of Chineseness are far more complex than immediate economic interests, nonetheless, it is participating in the Chinese economy that makes the discursive inclusion of ethnic Chinese non-citizens into the Chinese nation possible.

No More “Waiting for Whitey to Pick Us”

In the 1980s and the first half of the 1990s, the attention of the Chinese government’s overseas Chinese affairs apparatus was largely focused on ethnic Chinese business elites in Southeast Asia. In the second half of the 1990s, it expanded to the rapidly growing ranks of new migrants leaving China for North America, Australia, Europe, and later South America and Africa. Most of them were either entrepreneurs or students. The latter—who often joined multinational corporations or respected academic institutions after graduation—received the bulk of official attention as important resources for knowledge and technology transfer. China has had some suc-

cess in enticing some of them to return, including the setting up of “returned student business parks” by several local governments, but sees those who remain abroad as equally important assets of the national economy (Zweig, Fung, and Han 2008). Small entrepreneurs, too, found official recognition—in the form of favorable media reports, of being received by officials when visiting China, or when delegations from China visited their country of residence—within much easier reach than when they had still been in China, where most of them had been low-ranking state employees, petty traders, or even farmers (Nyíri 2001).

The influx of petty Chinese traders into the former Soviet Union and Eastern Europe at the turn of the 1990s was the first mass international migration linked to what we now call “the rise of China.” These traders, numbering a few hundred thousand, tied their fortunes to the ability of the then largely still state-owned Chinese garment industry not only to satisfy consumer demand in Eastern Europe’s newly opened markets, but also to extend credit. This “Eastern European model”—the importing of low-price consumer goods and their distribution over a network of “Chinese markets” and “Chinese shops”—later spread to Southern Europe and France, while the range of goods imported through such networks expanded both in kind (e.g., to household appliances and construction materials) and in price tier. Various attempts have been made, both successful (e.g., in Aubervilliers, France, near Amsterdam, and in Budapest) and failed (e.g., Kalmar, Sweden, and Copenhagen) to set up regional exhibition and trade centers for Chinese goods, partly based on the earlier model of Chinese markets as trade hubs but more upscale. Since 2008, as the European Union began intensively courting Chinese investment, this upscaling has intensified, and Chinese wholesale hubs are in the process of moving out of a migrant ethnic niche and are increasingly publicized as promising cases of FDI. The recent offer by Europe Market City, a Belgian company, to offer free space to a group of consumer-goods companies called the Patriot Internationalization Alliance (*Aiguo zhe Guojihua Lianmeng*) seeking to establish a base in Europe is an example (Ye 2012). Unlike the low-key approach of most Chinese entrepreneurs, this alliance of private businesses has been receiving publicity in China for its founder Feng Jun’s championing of “national brands” and his goal of changing a situation where Chinese companies were “waiting for whitey to pick us” to one in which “we pick local resources and local governments: we will go to those cities or countries that are nice to us” (Ye 2011). Projects such as these, in which investors solicit capital from smaller businesses by a combination of promises of business and immigration status, are not new, but Feng’s high profile and bombastic rhetoric signals a gamble on economic nationalism as a promotional tool, as well as more explicit collaboration between capital from China and migrant entrepreneurs.

In the past quarter century of entrepreneurial migration from China, such associations have been less explicit. But the degree of economic and political transnationalism—that is, a dual embeddedness of migrant entrepreneurs in the economic and sometimes political spheres of China and their countries of residence—has been high throughout. Not only have they been dependent on goods, credit, business information and, increasingly, capital from China, but this dependence has put a premium on good relations with officials—manifested in photos prominently displayed in the wallets and offices of many businessmen—which often translate into more favorable credit terms or open doors when it comes to approving new ventures in China. The quest for such “photographic capital” has been an incentive behind the endless proliferation of new migrant organizations, largely still based on native place but with rituals, symbols, and official language that mimic those of the PRC state. From banquets for visiting hometown officials to awarding prizes for best dissertation on behalf of the Chinese embassy, all circulate the shared symbols and narratives of the contemporary Chinese party-state. Almost without exception, the charters of these organizations include a commitment to contributing to the strengthening of China and to promoting Chinese-foreign relations. On the part of China’s overseas Chinese affairs bureaucracy, these organizations also meet a need: they are official counterparts that can receive, entertain, and often finance the visits of officials from their native areas (Pieke et al. 2004, 170–76). Localities with no tradition of emigration, such as Sanming in Fujian Province, sometimes facilitate it as a means of catching up with more prosperous areas, but although this is again couched in a rhetoric of “homeland development,” it fits squarely within a national discourse of progress and modernity, in which migrants’ economic success is valorized as an act of patriotism (Nyíri 2001). Most recently, with China emerging as an important global investor, new migrants have also sought to position themselves as brokers between Chinese state and corporate elites—notably banks and state-owned mining and infrastructure companies—and local politics and business (Nyíri 2012).

Economic Nationhood and Deterritorializing Nation-States

China’s economic growth in the last three decades, the perceived and real relationship it has had to an existing diaspora and new migration, and the role played by economic growth in the legitimizing of a political formation are hard to find exact parallels with. Economic growth is now inseparable from the pervasive discourse of national strength and revival in China in ways that it may not be elsewhere. The centrality of economic development for the discourse of the nation, however, can be said to be typical for post-

colonial and late developing states. Moreover, various developmental states—from Korea to India and Ethiopia—have undergone similar processes of extraversion that, since the 1990s, turned diasporas and migrants from suspect outsiders to vital elements of economic nation-building. As Basch, Glick Schiller, and Blanc (1994) and Anderson (1998), among others, have noted, this “de-territorialization” of the nation-state has had to do with the increasing deterritorialization of global capital, which made some states—in some cases, their very survival—increasingly dependent on the ability to extract investment, aid, or private remittances from other states. Diasporas were one avenue to achieve this. Yet deterritorialization cannot simply be seen as an inevitable by-product of neoliberalism. It has to do, too, with the rise of new nationalisms that occurred concurrently with a renewed intensification of migration flows at the post-Cold War moment. The temporary lowering of political and a more permanent lowering of technological barriers to travel and communication that followed did not create transnationalism—the term Basch, Glick Schiller, and Blanc (1994) used to describe a condition in which migrants continue to engage with their homelands politically, economically and socially—but it did make it more visible and better institutionalized. The prominent political—and in some cases, military—roles returned migrants played in the nationalist movements that sprouted on the ruins of the Soviet Union and Yugoslavia is a prominent case in point that recalls the role played by diasporas in the breakup of earlier empires—the Qing, the Ottoman, and the British among others.

Economic incentives have played an important role in the institutionalization and celebration of migrant transnationalism by sending states and the reconceptualization of nations as deterritorialized entities. Yet, *pace* Ong (1997), the relationship between economic interest and the successful inclusion or “re-inclusion” of a diaspora in the discourse of nationhood is not merely instrumental. The rekindling of the idea of a nation based on a common bloodline, replete with symbolism related to mythical progenitors of the Chinese race to whom provincial officials now perform sacrifices, has been internalized both by people in China and many ethnic Chinese outside it in ways that have profound emotional and as yet unforeseeable political consequences. While the blanket claim by Chinese officials that overseas Chinese are patriots who realize that their success depends on the “strength of the Fatherland” is certainly exaggerated, symbols and rhetoric of the Chinese state are now often invoked in conflict situations, whether in a skirmish between small Chinese businesspeople and police in Milan in 2007 (Rosenthal and Povoledo 2007) or during demonstrations by Chinese students in Frankfurt, Paris, and London in support of the Beijing Olympics a year later (Nyíri and Zhang 2010). While it remains important to recognize the diversity of ethnic Chinese overseas, the appeal of Chinese

nationalism with the PRC at its center has plainly broadened, and not only among those recent migrants whose allegiance to the state is unproblematic.

The (re-)deterritorialization of the nation seems to be a widespread trend at the turn of the twenty-first century: the Hungarian constitution of 2012, with its explicit embrace of ethnic Hungarians around the world, is a striking testament to it. Within this broader trend, the Chinese case is notable on several counts: the intensity of the state discourse of nationalism and the centrality of racialized nationhood; the expanded role reserved in this imaginary for a historically and economically complex diaspora; and the elaborate institutionalization of its ties with the motherland. In some places, the celebration of the migrant or diasporic co-ethnic citizen as patriot is more closely linked to the economy than in others: in most such cases, however—in the Philippines, Mexico, or Morocco, for example—that migrant is cast as the overseas contract worker who labors for the prosperity of the homeland. It is perhaps only in India that the “Non-Resident Indian” is emerging as a central and crucially economic subject in the nationalist discourse of “India shining.” But while India shares some of the features of Chinese migration history, Indian concepts of nationhood are far more contested internally, making the rise of a seamless discourse of the migrant-patriot-entrepreneur less likely.

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Part III:
Beyond the Nation?

Embedding the Social Question into International Order: Economic Thought and the Origins of Neoliberalism in the 1930s

Hagen Schulz-Forberg

The national and the transnational are mutually constitutive. This is my starting point to approach the history of economic thought in the 1930s. My reflections include not only the intellectual side of this thinking, but also the way in which economists engaged in processes of shaping agendas both nationally and transnationally. This point of view accordingly treats economists, both physically and intellectually, as situated in national and transnational contexts simultaneously. For many economists of the 1930s, multi-level agency was plain reality. Often, they moved from one country to another, for reasons of exile or to further their career or, indeed, both. The claim that the national and the transnational are mutually constitutive furthermore holds true when looking at the economic models proposed in the 1930s. In most cases, national economic spaces were conceptualized as necessary building blocks for a functioning international economic and political order. The insight that national politics had a bearing, even a predominance, on the way the economy was organized within the confines of the nation-state was a result of critical self-reflection among economists and rather unquestioned by the 1930s. As Moritz Julius Bonn summarized in 1939, “The pursuit of economic ends is accepted by many societies as the main object of social and of national policies” (Bonn 1939, 48). This observation, for Bonn, went hand in hand with the acceptance of a key condition upon which any economic order needed to be built, namely that the “belief in the existence of eternal economic laws, which cannot be affected by human action, has gone” (Bonn 1939, 48).

These two short statements illustrate the results of much debate among economists coming to terms with the crisis of liberalism as well as their effort to carve out new solutions for a future national and international order. An oppositional configuration of national and transnational spaces from the historian’s point of view—pitted against each other in an “either/or” or in a “first one, then the other” fashion—is thus neither theoretically and methodologically convincing, nor does it have adequate resonance in empirical data. Certain national economic models, such as the

social market economy model in Germany, surely have gained significant input from transnational networks of economists (Ptak 2009; Mirowski and Plehwe 2009), but at the same time it remained a model that was uniquely German, born in the immediate postwar period within a very specific historical context and heritage, and implemented within a particular political situation. National and transnational spaces, consequently, are not mutually exclusive, but mutually constitutive, both on the level of historical observation as well as on the level of economic thought (see also Schulz-Forberg and Olsen 2014; Schulz-Forberg 2013). While the nation-state was accepted as an economic actor, economic nationalism was viewed critically by many economists, especially when tendencies toward autarky were connected. In any event, economic nationalism needed to be counterbalanced with a transnational economic system. Accordingly, some economists developed models of economic cooperation within a federalist structure (Robbins 1937 and 1941; Hayek 1939) or an international order (Röpke 1945).

Admittedly, I look here at an elite circle of intellectuals and do not take large data from national economies into account in order to address my questions. I am thus not pretending to carry out economic history, but a history of economic thought and its political, social, and economic implications. I will focus on the 1930s, a decade during which the experience of the crisis of liberalism and the global financial and economic meltdown led to a process of rethinking the basic parameters along which market economies should be built nationally and linked transnationally. Indeed, as I will try to show, the national space as the basic unit of the world economy remained unquestioned by economists. In fact, the necessity of consciously shaping national economic orders was not disputed among economists. Conscious national economic organization was needed to tackle the social question.

Simultaneously, economists would hold that all national economies needed to be conceptualized as dependent on relations with other national economies. This almost classical liberal imagination of interdependence—and thus peaceful coexistence through market relations—had surely inspired economic thought since at least the mid-nineteenth century, yet it gained new relevance by the early 1930s (Verein für Socialpolitik 1932; IIIC 1932; IIIC 1933). No national economy can remain completely self-sufficient. Rather, if it did, many economists were convinced that national economies striving for autarky would be in unhealthy competition with each other, seeing the neighboring economy as an enemy, ultimately creating conflictual political relations and possibly sowing the seeds of war between them (IIIC 1932; IIIC 1933; Bonn 1939). Indeed, while Friedrich von Hayek is sometimes claimed, for example by Alfred Müller-Armack (1949), to have been the first one to clearly show that a non-liberal economic global order based on competing autarkic economic spaces would lead to war in his *Road to Serfdom* (1944), such argumentation can be

found much earlier in twentieth as well as nineteenth century liberal thought: a global order based on self-sufficient units would end in war, whereas a global order based on interdependent economies would (in all likelihood) promote peaceful international relations (Baudin 1939).

What, economists pondered, could safeguard national economies in a better way when the next crisis abodes? National independence? Or rather transnational interdependence? From the early 1930s, the effects of the 1929 stock market crash and the ever-increasing unemployment following in its wake had shown clearly that the capitalist world economy was connected very tangibly indeed. Accordingly, economists worked on models that would allow national economies to be organized in a way that would effectively protect them from future crises.

The interwar crisis of liberalism led to a rethinking of both the global and the national economic order within Western discourse. This rethinking process mainly strove to enter the social question into the equation for a new order, ultimately making the national the resting place of the social, accepting a national prerogative for conscious political agency within the economy; accepting, in short, the state as an economic actor.

Yet what were the limits of economic nationalism for economists in the 1930s? Could a reliable global economic order be built on the coexistence of liberal, fascist, and communist national economies? Or would it not be more conducive to world peace if national economies were organized along similar (though not identical) lines, implementing the same general framework yet in varying ways? In the 1930s, the first question was addressed with some optimism yet not based on convincing facts.

To illustrate the relation between national and transnational economic spaces, I will reconstruct the transnational networks in which economists moved and developed ideas that became foundational for early neoliberalism. Importantly, these were not simply elite networks of economists who—nerdy and detached from the world—would discuss their theories in an ivory tower. Quite to the contrary, the networks in which key ideas for a new liberal national and transnational order emerged in the 1930s were policy-making as much as they were academic. The institutional nodal points of the network were leading think tanks and research institutions that were in close dialogue with governments. Often, economists would be go-betweens, acting as innovative colleagues within the academic camp and as expert consultants and employees within the political camp at nodes that became the hotbed of a network concerned with theories and policy recommendations for a new transnational economic order. It had already been in place when the economic crisis swept over the capitalist part of the globe. It was established in the decade after the First World War by the League of Nations in collaboration with the Rockefeller Foundation and the Carnegie Endowment for International Peace. (Pemberton 2012; Rietzler 2014; Schulz-Forberg 2014)

Transnational Networks of Economic Thought in the 1930s

The networks within which economists moved, met and deliberated their theories, were characterized by an astonishing multi-disciplinarity maybe best grasped under the headline of “*Staatswissenschaft*” in the German tradition. In fact, the agenda for a new liberalism—called “neoliberalism” at the Walter Lippmann Colloquium (WLC) in 1938—was developed in dialogue with a large transnational effort undertaken by the League and one of its consultative bodies, the International Committee for Intellectual Cooperation (ICIC), which itself guided an operational unit in Paris called the International Institute for Intellectual Cooperation (IIIC). It was an effort that aimed to find recipes for a new global order—it took root within a network of research institutions, foreign policy think tanks, governments, and philanthropic foundations concerned with the establishment of “International Studies” as a new scientific discipline (Schulz-Forberg 2014).

Within these networks, fascist or authoritarian alternatives to classical British and French liberalism were discussed in a remarkably open fashion (IIIC 1932; IIIC 1933). Could liberalism learn anything from fascism and communism? How could it discern itself against conceptions of an economic order based on planning and collective ownership rather than a free market and private ownership? What could be the liberal solution to the conundrum of the time: namely, how to solve the social question?

The conceptual answer was found in what I would like to call “early neoliberalism,” that is, a form of neoliberalism concerned with matching capitalism with a social doctrine. It operates through a theory of the state and thus a doctrine that included both a national element as the resting place of the social as well as a transnational element as the resting place of a world economy—one that runs according to certain rules and regulations in order to make sure that national economies would constitute a sustainable and (literally) international order and avoid having a cannibalizing effect on each other. What sort of solutions, if any, could this neoliberalism borrow from the authoritarian challengers of old liberalism? Fascism, with its corporatist economy that allowed (theoretically) for individual, rather than collective, agency and responsibility, was indeed seen by some as an avant-garde economic model that had innovatively and robustly built a new social order after the First World War—an economic order that had weathered the consequences of the stock market crash quite impressively. Indeed, by the mid-1930s, fascist thought had developed a global imagination as well and its writings were translated, albeit sparsely, into foreign languages (Steffek and Antonini 2015; Framke 2013).

On January 30, 1936, for example, Robert Blair Forrester, Professor of Economics and Political Science at University College, Aberystwyth, Wales, composed a short note of thanks on his typewriter. His appreciation

was addressed to Leo Gross, the head secretary of the IIIC in Paris, which had just forwarded a seemingly very useful and interesting new book to him. Forrester acknowledged its receipt and assured Gross that “this book . . . will be made available to the staff and the students” (Forrester 1936). It was a copy of *World Reorganisation on Corporative Lines*, the English translation of a proposal for a global order written by Italian fascism’s then leading political-economic thinker Giuseppe de Michelis.

Since the end of the First World War, Aberystwyth has been known as a university with a broad focus on all walks of international relations. It prided, and still prides, itself with having founded the first ever chair in international politics in 1919, and was a hotspot for the development of liberal international thought. Forrester was not among the ranks of internationally renowned scholars from Aberystwyth such as Sir Alfred Zimmern or Edward Hallett Carr. The fact that he was in touch with the IIIC illustrates, however, just how deeply embedded transnational networks among economists and international studies experts already were in the interwar period.

To receive a copy of a fascist theory of global order at such a liberal-minded place may appear as an oddity on first sight. Yet the early-to-mid-1930s were a period in which fascism was at its zenith of global intellectual influence. And after all, E. H. Carr’s foundational thoughts on what became the realist tradition within International Relations theory stood in contrast to a liberalism he had identified as utopian and connected to Zimmern’s work.

Furthermore, based on the then commonly held conviction that capitalism would inevitably falter, fascism’s economic mode of organization—corporatism—appeared as a possible alternative to both laissez-faire liberalism and collectivism. Those economists and intellectuals who conceived of themselves as liberals were convinced that new concepts, even a full range of new semantics of the market and free society, needed to be coined. Fascism was considered as such a potential alternative version of market semantics among economic and political theorists, not only in Europe (Framke 2013).

Mostly, the transnational networks in which economists deliberated their ideas in the 1930s were organized and sponsored by the League of Nations, the Carnegie Endowment for International Peace, the Rockefeller Foundation, as well as by national governments who supported the national chapters of the ICIC. The League, the Endowment, and the Foundation financially supported handpicked research institutions and recruited their academic expertise almost exclusively from them in return. Their task was to provide research, publications, policy recommendations, and teaching along lines defined by the ICIC and the League.

My own institution, Aarhus University, serves as a good example. Founded in 1928, the university established departments and programs in

Economics and Law by 1936. The influence of the League and the two main funding bodies for international affairs, Rockefeller and Carnegie, was tangible there, when the department of economics—which at the time was made up of only one professor—primarily used material provided by the League of Nations for teaching economic issues of international scope. Further material was taken from periodicals such as the *Economist* and from the German *Wochenbericht des Instituts für Konjunkturforschung*. At the law department, the teaching of international law was carried out by a “lecturer . . . working under the auspices of, and . . . paid by, the Carnegie Endowment for International Peace” (Danish Memorandum 1938).

In the case of economists who were engaged with questions of a new national and global order, the IIIC, located at the prestigious Palais Royal at Rue Montpensier 1, was one of the main institutional actors. It had been founded in 1926 as an offshoot of the ICIC, which, since 1922, was a consultative body of the League of Nations and was situated in Geneva. By the early 1930s, the IIIC had become a major organizer of international workshops and conferences. Certainly, not all activities and meetings of economists were organized by the League and financed by Rockefeller. Yet, a substantial proportion was. This allowed economists, scholars, and intellectuals to meet and discuss the semantics of the market and a future global order in which such markets could unfold at several important occasions: Milan 1932, London 1933, Prague 1938, and Bergen 1939.

Since at least the early 1930s, liberal economic thought was characterized by two main discursive fields: first, it had to come to terms with its own past in order to overcome both its contemporary demise and the vogue of planning; second, it had to attach economics to a social vision. In this context, one of the most important meetings organized by the IIIC was the above-mentioned WLC, which took place between August 26 and 30, 1938. It was held in Paris within the walls of the IIIC and it pursued the aim of setting a new agenda for liberalism, which, in the event, was called neoliberalism.

At the colloquium, a string of leading economists and intellectuals gathered. It was an impressive international list of participants that strove to provide a new agenda for liberalism. Among them were many intellectuals who would become highly influential after the war: Raymond Aron, Robert Marjolin (first director of the OEEC), and Jacques Rueff (Charles de Gaulle’s economic mastermind) from France, Friedrich von Hayek and Ludwig von Mises (the lodestars of contemporary neoliberalism) from the Austrian School, the German economists Wilhelm Röpke and Alexander Rüstow (the founding fathers, together with Alfred Müller-Armack, of social market economy in Germany), as well as Walter Lippmann himself. These figures were joined by numerous further participants, namely, Roger Auboin, Louis Baudin, Marcel Bourgeois, José Castillejo, John Bell Condliffe, Auguste Detœuf, Michael Heilperin, Bruce Hopper, Bernard

Lavergne, Étienne Mantoux, Louis Marlio, Ernest Mercier, André Piatier, Michael Polanyi, Stefan Possony, Louis Rougier (the organizer of the WLC), Alfred Schütz, and Marcel van Zeeland. While most of these latter names have not experienced postwar fame to the extent of the former, they were not at all less important in the late 1930s. Indeed, many of them can be regarded as much more influential than, for example, Friedrich von Hayek who at the time was a marginal figure at the London School of Economics (LSE), dominated by its towering director, Sir William Beveridge. Condliffe was one of the main protagonists working for the IIIC, acting as main rapporteur to large international conferences and as key author for economic questions. Michael Heilperin (1937) and Louis Baudin (1939) also authored studies on questions of raw material and on the relation between the market and peace for the IIIC's 1937 and 1939 conferences. Von Mises had pondered the question of raw materials for the 1936 conference in Madrid on the topic of peaceful change. One might dwell on the participants and their influential positions in the 1930s and after the war (see Audier 2008), but here I would like to merely mention two more figures: Auguste Detœuf and Roger Auboin, who represent the national as well as the transnational element of economic thought and its implementation.

Detœuf was not an academic. He had published a short pamphlet on the crisis, indeed on the end of liberalism, in 1936 within the context of the technocratically-minded *Groupe X-crise* (Detœuf 1936, Dard 1995), but mainly worked as an industrialist. Indeed, with Detœuf, the founder and first director of Alstom, the major French energy company, had joined the WLC. He was a friend of the pro-European intellectual Simone Weil and associated to the *Nouveaux Cahiers*. During the WLC, his views on economics and on Europe stood in contrast to Ludwig von Mises's, for example. Both were not the only participants who disagreed on certain aspects of the liberal agenda. Yet, in the end, the WLC successfully, and importantly, agreed on a common list of key ingredients for the renovation of liberalism.

With Auboin, a figure whose influence can hardly be assessed adequately had also been present in Paris. Auboin was a banker. Yet he was not just any banker. From 1938 to 1958 he was the general manager of the Bank for International Settlements (BIS) in Basel and thus in the machine room of transnational finance. His influence can thus be regarded as quite significant. The BIS was (and still is) the bank for central banks, where national central banks coordinate their policies. Detœuf and Auboin were crucial figures who managed a large economic unit and a highly relevant financial organization. They are thus testimony to the direct influence of normative intellectual positions on practical economic agency and policy-making. The networks within which economists moved in the 1930s were not at all removed from any impact on the real world as the role of academics is sometimes imagined. Rather, they were right in the middle of a large

transnational effort (which included the nations) to redefine and reconstitute a liberal order.

When the list of invitees is broadened to include all those who were not able to attend the colloquium, the weight of the League's IIIC and the Rockefeller Foundation becomes even more obvious. For the WLC, writes Serge Audier (2008, 140), Louis Rougier had sent invitations to Luigi Einaudi, Johan Huizinga, Tracy Kittredge, Francesco Nitti, José Ortega y Gasset, William Rappard, Charles Rist, and Lionel Robbins. Apart from containing two towering characters of Italian political and intellectual history and the Spanish lodestar of conservative European thought, this list includes, with Robbins, one of the main protagonists of the early Mont Pelerin Society, founded in April 1947 by Friedrich von Hayek, and, with Charles Rist, one of the most influential figures in the French and international banking sector and financial affairs. Rist was also the director of the Institut de Recherche Économique et Sociale, where Marjolin worked for some years as well. With Huizinga and Rappard, the list of invitees also includes two further members of the ICIC's Executive Committee from Geneva.

One member of the Executive Committee, José Castillejo, did make it to Paris. When reading the verbatim protocol of the WLC, one wonders why he was such an outspoken, self-confident speaker. Specialized in Roman law, his knowledge on economic matters or liberal thought was not his major professional asset. The answer may be that while Rougier was the organizer of the WLC, Castillejo, as a long-standing member of the Executive Committee to which he had been appointed already in 1931, possessed the greatest institutional authority among the participants.

Tracy Kittredge was the Assistant Director of the Rockefeller Foundation's European Social Sciences Division office from 1931 to 1942, which supported the WLC, too. Before, in 1919, Kittredge acted as staff member at the Supreme Economic Council during the Paris Peace Conference. The decisions taken in Paris to build international institutions and scientific networks as well as research around the question of a peaceful global order were a strong foundational impulse for the unfolding of transnational networks and institutional nodal points that had been quite firmly established by the 1930s.

The organization of the colloquium was put into the hands of Louis Rougier. He had already organized an international conference for the IIIC before: the Congrès International de Philosophie Scientifique in Paris from 1935—the first of its kind. While on a Rockefeller-financed assignment in the years 1933–34, Rougier connected to key philosophical circles in Vienna and Prague and was thus provided with the core personnel for his conference (Rougier 1936, 3–6). Connections to the Geneva Institute for International Studies were already established through the links to Rockefeller and the League.

Simultaneously, Hayek was an especially important driving force behind building transnational networks. Walter Lippmann, one of the most prolific contemporary public intellectuals, represented a crucial figure for Hayek at the time. He was convinced that Lippmann was the key person with the potential to turn the right kind of economic thought into a political philosophy. Both Hayek and Lippmann began to work on building a network of people who they deemed worthy of being labelled “real” liberals. Lippmann suggested to Hayek that the best way forward for a new liberal agenda would be to “identify the genuine liberals and begin to correspond with them and get in touch with each other” (Lippmann to Hayek, 1937).

The IIIC and the Rockefeller foundation did not only choose the individuals for their various conferences and meetings. They also established long-term relations to the scientific institutions within the League’s member states (as well as within the US, despite its absence from the League). The majority of the participants at IIIC conferences belonged to these institutions. A small number of external experts were furthermore invited, especially from countries which had left the League, such as National Socialist Germany. To these institutions belonged, first and foremost, the LSE, which received support from Rockefeller as well as the League for its scientific activities and was often represented at the IIIC’s meetings, among others by Beveridge. The second influential institution affiliated to the ICIC and the IIIC was the Royal Institute of Foreign Affairs, also known as Chatham House, which was founded in 1920 following a decision taken at the Paris Peace Conference in 1919. No less importantly, Chatham House was represented by its director of studies, Arnold Toynbee.

In Germany, expertise was requested mainly from the Deutsche Hochschule für Politik in Berlin, the Institut für Auswärtige Politik in Hamburg and, to quite some extent, from Heidelberg University. The Geneva-based Institut des Hautes Études Internationales was a research hotspot for the IIIC as well, indeed functioning as a kind of in-house research institute. Again, Rockefeller supported the Institute generously in its early years until it was able to be financially independent. With von Mises and Röpke, two institute members were present at the WLC. Importantly, the IIIC was reaching out to all of Europe, not only the large Western countries. Throughout the 1930s, in Poland and in Czechoslovakia, for example, research institutions and coordinating platforms were founded, such as the Warsaw-based Central Committee of Polish Institutions of Political Science, and the Prague School of Political Science. The activities by the League’s bodies, the research institutions and the individual scholars were decisive in laying the groundwork for Western postwar socioeconomic discourse in at least two ways, that is, an institutional one and an intellectual one (Schulz–Forberg 2014).

While the League and its IIC had a broad agenda and inclusive approach toward non-liberal countries, especially Italy, other economists and intellectuals clearly strove for the renewal of liberalism. They believed that this renewal was needed if a complete breakdown of historical achievements was to be avoided. The effort at saving liberalism was connected by the economists to an even larger discursive field: saving civilization, which was the ultimate conceptual cornerstone for a rethinking of liberalism. By thus striving to save some form of liberalism, a key insight was driven home, namely that a certain imagining of a good society, a social and political order, needed to be consciously embraced by any economic model, not only a Marxist one. As Louis Rougier, French philosopher, economist and initiator of the WLC explained: “In short, one must not be content with reasoning *in abstracto*; one must accept the world as it is and study how one can make it a better place” (Rougier 1938, 416, my italics). Rougier went on to reflect on the role economists had to play in the process of ameliorating the world: “It is to descend into the fray in order to fight with the arms of the spirit; it is political action, it is fighting for the protection and the renovation of the only economic and political regime compatible with spiritual life, human dignity, the common good, peace among peoples and the progress of civilization: *liberalism*” (Rougier 1938, 418).

Liberalism After the First World War

Yet, had liberalism not failed? Even more, not only had it failed, it was found responsible for the crisis of the late 1920s and 1930s. On this point, the great majority of politicians, economists and intellectuals agreed. While liberal economies all crashed, a surprisingly robust fascist economy in Italy and a similarly robust socialist economy in the Soviet Union had weathered the crisis rather well. Had planning thus not proven to function effectively, more so than the market? Additionally, the League of Nations had not succeeded in becoming the global authority and regulator inspired by liberal internationalism it had hoped for. Worldwide free trade as a decisive building block of the road to peace among all nations was not only under threat, but could hardly even be imagined as a possible future anymore. Other roads to the good society had gained the upper hand and the concept of liberalism—and its seemingly eternal semantic sister concepts of progress, growth, and freedom—were not only contested, they were in a phase of profound conceptual insecurity (Schulz-Forberg 2013b, 34–42).

While the liberal narrative of the road to the good society includes a passage through hardship, the conundrum for contemporary liberals went as such: how could the crisis be overcome and lead toward a liberal future

when the global situation was dominated by alternative anti-liberal, collectivist, and corporatist roads to the good society? Liberal intellectuals faced the dual challenge of breaking the association of liberalism with the economic crisis of the 1920s and 1930s, and fending off strong competition from these intellectual competitors offering alternative roadmaps. For liberal thinkers, the nationalist, autarkic, and mercantilist aftermath of the First World War was not the only reason for the loss of liberal legitimacy; rather, a sequence of past mistakes and developments that now appeared as clear milestones toward failure were identified as the roots for the crisis. The responsibility for triggering the historical sequences of continuous crisis aggravation that saw its crescendo in the present of the world economic crisis was laid at the doorsteps of liberal predecessors such as Charles Dunoyer or Herbert Spencer (Mantoux 1938, 430).

For interwar liberals, the First World War marked the second major break with a better past after the 1870s, another fatal historical step of a civilization blindly moving toward self-destruction. The so-called Wilsonian moment of 1919 was merely a short triumph that backfired (Manela 2007; Weisbrode 2013). Soon the Soviet project, the crises of liberal economies, and the rise of fascist and National Socialist totalitarian alternatives changed the global order and shook up Western economic thought.

Liberalism in general, not only as an economic doctrine, maneuvered in waters of conceptual insecurity, with its key terms out of sync with the semantics they were supposed to represent. You simply could not say “liberalism”—or, even worse, “capitalism”—anymore. Thus, self-declared liberals reached the conclusion that a clear stand needed to be taken and even economists who had restricted their academic activity to solely economic questions began to embrace the ideological undercurrents of their scientific practice openly. Louis Marlio, among others, exemplifies this politicization of economists well. While his writings for the League of Nations are evidence of his international outlook from the start, his work moved from technical analyses to political and ideological exclamations. His participation at the WLC testifies to this politicization (Marlio 1930; 1940 and 1945).

What were the alternatives at hand? As Louis Rougier assessed during the colloquium, those who were politically on the left were trying to save democracy through socialism and those on the right were trying to save capitalism through fascism (Rougier 1938, 414). One further alternative remained: liberalism had to reinvent itself. Against the backdrop of the socialist alternative and the strong tendency toward planning the economy also influencing market economies in the West, liberals began to identify the state as a decisive force because of its crucial role as the guardian of the rule of law. The only kind of intervention into the economy that could be accepted, however, was an intervention based on market logics rather than on social or political interest.

Within transnational economic discourse, liberalism, as mentioned above, experienced a period of semantic turmoil. The plan was constructed as the very antithesis of the liberal state that was based on individual citizens and their interests and actions within a free market (Freeden 1986, 352). In 1944, Hayek claimed that liberalism and its conceptual sisters had no capacity left to design the future: “‘Freedom’ and ‘liberty’ are now words so worn with use and abuse that one must hesitate to employ them to express the ideals for which they stood,” he wrote (Hayek 1944, 14). Ludwig von Mises, for example, reasoned in 1927 that the term “*Liberalismus*” was outmoded. Yet, should a new name for its content be sought? He stubbornly concluded that he would continue using the word, especially because it was so heavily criticized (von Mises 1927, 7). If liberals began to cage in their terminology it seemed as if they were caging in their beliefs, he argued. Walter Lippmann, in his book *The Good Society* from 1937, reflected on the same identity crisis of liberalism. Just like von Mises, he strove to save the liberal agenda, but under a new terminological umbrella. This would be achieved by providing liberalism with new adjectives and a new semantic field that included an outspoken focus on making a social order through an economic one.

Confidence in liberalism and capitalism had waned. The New Deal policies of the US administration drove home the insight that even in the liberal heartland, planning—the submission of the economic under the political and the social—had become the new hegemony.

The success of planning as the accepted mode of running the economy stirred intellectual resistance. An active critical engagement with the liberal doctrine emerged. It led to the end of the semantics of nineteenth century liberalism, and to the coining of the term “neoliberalism” in 1938 as a new stratagem capable (in the eyes of its proponents) of nothing less than saving civilization, guaranteeing Western values, and safeguarding the Enlightenment heritage. At the time, neoliberalism signified similar semantics in more than one language. It surely did not mean precisely the same in all semantic traditions, but it mapped out a similar semantic field in more languages than English.

Neoliberalism was able to unite intellectuals from different schools of thought, from social democratic to conservative political thinkers. All agreed that the social question needed to be addressed and “controlled” by liberalism as well (Lippmann 1938, 487). And all agreed that the rule of law would be the adequate liberal way to organize society and set rules for national economic orders. Accordingly, the more social democratic Robert Marjolin and the conservative economist and philosopher Wilhelm Röpke both agreed on the same new agenda for liberalism during the WLC.

Neoliberalism in the 1930s

In 1937, Walter Lippmann's book *The Good Society* was received enthusiastically by the liberal community. It quickly appeared in French by 1938 with the *Librairie des Médecis*. The foreword by André Maurois rooted the book in a firm Anglo-French friendship and in a liberal progressive discourse. Maurois, author of a history of England in 1937 and elected to the Académie Française in 1938, was a public intellectual and novelist at the time, a staunch anti-socialist and a strong voice in favor of liberal values. Lippmann's accessible, fluidly argued book not only achieved popular success—it also gave the liberal camp a push. Here was a text that provided a point of orientation, one that would prove to be long-lasting. For this alone, Lippmann's work must be placed among the most important writings of the time.

Contrary to a number of his contemporaries, Lippmann was very clear about the position liberals should take toward fascism and National Socialism: they should reject them. While all liberals were against the collectivist organization of the Soviet Union, thus writing Russia out of the family of civilized nations, the fascist regimes in Germany, Italy, Spain, and particularly Portugal were not clearly rejected by all. These examples were sometimes seen as possible ways to stabilize a market-based world order; a fact that resonated also with the participants and themes of the IIIC conferences from 1932, 1933, 1938, and 1939, which were attended by representatives of all variations of political philosophy and economic thought with the exception of communism.

Lippmann left no room for any doubt that fascism meant militarism and represented the "complete development of the nation in arms" (Lippmann 1937, 66). This disqualified, in his eyes, any fascist regime, even for a phase of transition during moments of crisis. Such an interim fascist rule was accepted by Ludwig von Mises, for example, who saw nothing less than the rescue of civilization as fascism's gift to the Occident (von Mises 1927, 7). Lippmann, on the other hand, categorized fascism as just another planned economy—and all planned economies, he argued in accordance with other liberal voices, will automatically struggle and compete violently with each other because they are prone to lead toward autarky and war.

Liberalism, Lippmann reasoned, meant nothing but the establishment of the Great Society, a global rule of liberal economic order based on property rights and individualism as well as free trade protected by law, an order in which the striving of individuals for their well-being would simultaneously produce a public good in the most efficient way. The global entanglements and mutual dependencies would bring stable and everlasting peace and ever-growing prosperity, resulting in well-being and happiness for all. This much was clear to him: "The ultimate concern of the liberal is

with the enhancement of real values by men who actually observe, reason, meditate, invent, dig, construct—seeking to arrange the world to satisfy human demands. To this end the laws, constitutions, bills of rights, courts, and social philosophies are but the means which allow creative labor to proceed without arbitrary interference” (Lippmann 1937, 365).

Further on in his argument Lippmann summed up the view that “the liberal state is to be conceived as the protector of equal rights by dispensing justice among individuals. It seeks to protect men against arbitrariness, not arbitrarily to direct them” (Lippmann 1937, 365). The future, according to Lippmann, could only be saved by a return to the true understanding of human society and economy. Though collectivism may be temporarily triumphant it would fail because it was inherently unnatural and thus simply wrong. This not-too-complex logic was embraced as part of the new emerging liberal ideology and foregrounded even more during the Cold War. A liberal society, Lippmann argued, was based on truth and reason; any other form of economy and society was not.

During the colloquium, participants debated whether one should call this new agenda of liberalism “liberalism from the left,” or simply “individualism,” before Marlio mentioned “neoliberalism” as an alternative term (Denord 2007). Neoliberalism, then, became a concept that allowed for the re-filling of the liberal semantic universe with the capacity of building a future economic order endowed with social awareness and social control. One of the cornerstones for the “*libéralisme rénové*,” as Rougier called it in his summary address at the end of the WLC, was the clear decision that state intervention must under no circumstances interfere with the free market mechanism of prices.

Indeed, the price mechanism within free markets was seen as a key cornerstone of economic liberalism and featured as the first point in Lippmann’s *Agenda of Liberalism*, which he presented as a proposal for a new liberal doctrine to all participants of the colloquium. Following this very first point, Lippmann lists furthermore that, secondly, the state must implement and guarantee a legal order, a true rule of law, to safeguard the market’s development and to legally justify any intervention in the market; thirdly, political liberalism must embrace the law, the ultimate cornerstone of legitimacy, and that the process of codifying law is based on representative debates and able to establish general norms; fourthly, the legal regime constitutes a liberal method of social control and thus neither a fascist, nor a National Socialist, nor a Communist method; finally, a liberal state is responsible to continuously provide society with five essential elements to which end taxes may be imposed: 1) national defense, 2) social insurance, 3) social services, 4) education, and 5) scientific research (Lippmann 1938, 485–87).

The new agenda of liberalism, or neoliberalism, emerged as a concept after more than a decade of reflection and deliberation within transnational

networks. An active perception of fascist theories was part of this deliberation and fascist thought trickled through the transnational networks as illustrated by Forrester's letter to the IIIC in Paris. Neoliberalism was a multilingual concept taking on similar yet not identical meanings in different languages and political discourses. It contained reflection on global economic and political order, on the way in which national economies should be organized and how the social could be included within such an economic and political order. It remained broad and contested in the post-war period. While neoliberalism may have been broad in scope, its normative construction provided the groundwork for Cold War liberals (Müller 2014). When the fascist alternative had disappeared as a serious intellectual and political challenge, a binary opposition was created with the help of the asymmetric, indeed antagonistic, counter-concepts of freedom versus planning. The beginnings of this normative struggle can be found in the debates among self-proclaimed neoliberals who were reinventing a liberal doctrine in the shape of a rejuvenated political philosophy in the 1930s.

Can transnational influences on national economic order be discerned? Of course they can. The contemporary processes of rolling back the socialist economy within Central and Eastern European nation-states and the implementation of a present-day (less socially-conscious) neoliberal socio-economic order instead (Ther 2014), defined according to EU standards and conditionality, strongly illustrate the fact that transnational influences on national economic order and policies are a historical fact. Another clear case of transnational influence on national economies can be found in the conditionalities that were attached to credits from the IMF. Furthermore, the Marshall Plan and the early European economic integration process provide examples for the existence of tangible transnational economic regimes that function like a compass, even a control mechanism, for national economies. On the level of governance, economic policies are often closely coordinated. Just recently, the decision by the director of the European Central Bank, Mario Draghi, to buy shares from states was only on the surface a revolutionary decision. While it caused much debate within the EU and stood against the prominent German standpoint, it was closely coordinated with the Bank of England and the Federal Reserve and commonly orchestrated by meetings at the Bank for International Settlement (BIS) in Basel.

Do national economic orders, on the other hand, manage to remain unique in many ways; do they even have a reciprocal influence on transnational networks and regimes? Especially larger national economies such as the US have of course a strong influence on both how other nations structure their markets to engage in trade relations with the US and on transnational bodies such as the World Bank, the IMF, or the WTO. Furthermore, within a broader political discourse, national models are often

debated as possible templates for others to emulate or at least learn from. The Nordic model comes to mind, or, indeed, the Chinese model. Similarly, in the 1930s, the fascist model appealed to many liberal economies because of its resistance against the Great Depression. What could liberal market economies, obviously in crisis, learn from fascism? As these examples illustrate, the fact that national and transnational spaces are mutually constitutive does not mean that the relationship between these two levels is always harmonious. Quite to the contrary, national economies and national political economy in some cases suffer from transnational economic regimes. The recent Euro crisis is illustrative of this. National economies in Greece, Italy, Portugal, Spain, and Ireland suffered not only because of the financial crisis, but also because of their position within the Eurozone and within the European economic matrix as a whole.

A question related to transnational economic regimes as well as networks of economic thinkers and the role of transnational organizations such as the WTO or the OECD and their influence on national spaces could thus be formulated as follows: how did economists relate the national and the transnational space in their theories of a global economy? One of the key conundrums for economists was to integrate the social question into market-based economies without falling for collectivist solutions as a mode of organizing labor or for fascist solutions for organizing the state. What had hit home, however, was the fact that national economies are dependent on each other and that the social question needed to be addressed on the national level first.

After the Second World War, with fascism out of the picture as an alternative order (fascist and neofascist regimes in Spain and South America were integrated into Western economic relations, but had lost their appeal as a real alternative), the second question was answered positively through the Bretton Woods system. While the postwar order of “embedded liberalism” (Ruggie 1982) was embedded not quite in the way neoliberals had preferred it (particularly the very narrow margins within which exchange rates were fixed), it was clear that national economies would need to be organized along similar lines in order to provide stable transnational economic and political relations (Röpke 1945). The task for any liberal economic theory of the time accordingly was to conceive of the national and the transnational simultaneously in order to successfully address the social question from a liberal perspective.

A national economic order was an inbuilt feature in most of the suggested solutions to rejuvenate liberalism. National political and social spaces as shapers of economic spaces could no longer be ignored. Yet (neo)liberal reconstruction was clearly not based on economic nationalism as a goal or basic condition. Seen as a factor that needed to be accepted, national political economies were consciously defined by economists in

such a way that they would become part of a transnational, ultimately global economy. An interdependent global economy should emerge rather than a situation which would pit autarkic orders against each other. This global economy was not conceived of as a fully integrated one, however, but as an order that would allow trade between similarly organized national economies. Any meaningful, sustainable international order would thus be the result of the interplay of well-constituted nation-states. Early neoliberalism remained quite different from what emerged during the 1970s as a vision of an integrated global economy—globalization—which has reintroduced tensions between transnational economic spaces and nationally addressed social issues.

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Economic Europeanness*

Thomas Fetzner

It may simply be inappropriate timing to raise the question of economic Europeanness today, as public debates about the Euro—the continent’s most outstanding common economic symbol and project—feature nationalist clichés of the worst kind: if German or Austrian tabloids castigate “Mediterranean laziness,” while Italian and Greek papers liken EMU governance to the Third Reich, how can we meaningfully speak of economic Europeanness at all?

On the other hand, the Euro crisis may arguably also be a unique opportunity and challenge to seek a better understanding of the ways in which Europeans (and non-Europeans) have related to the economic space they inhabit. Indeed, advancing this understanding may perhaps itself contribute to the debate about the potential and limits of future economic integration. Whether motivated by such concerns, various notions of economic Europeanness have been quite prominent in recent debates among scholars and the wider public alike. Talk about a “European economic model” abounds in terms of affirmation and opposition. A recent World Bank study attempts to combine both with a set of policy recommendations to “restore the luster of the European economic model” (Gill and Raiser 2012). Economic Europeanness thus seems to be a relevant and worthy object of study.

This article reviews the scholarly literature that has implicitly or explicitly addressed issues of economic Europeanness. I argue that we should distinguish between two very different approaches in this respect, which are separated from each other by contrasting epistemological and ontological assumptions. The first of these approaches associates economic Europeanness with a set of “objective” characteristics (economic structures, values, processes, etc.) that can be identified, measured, and explained. The second approach, by contrast, adopts a strictly constructivist point of view and

* The author gratefully acknowledges funding assistance for this research by the Marie Curie European Reintegration Grant scheme (project number PERG06-GA-2009-251018).

seeks to explore the ways in which notions of economic Europeaness have been constructed and reconstructed through discourse and practices alike. While both approaches have benefits and drawbacks, I argue that the second, constructivist take is ultimately better able to shed light on the issue at hand.

The article starts with a brief review of the most important strands of the first, “objectivist” literature, distinguishing between a “macro” and “micro” variant in the literature. Based on a critique of the “objectivist” understanding, I proceed to outline the main conceptual assumptions of an alternative constructivist approach to the study of economic Europeaness. Subsequently, I survey available constructivist scholarship on economic Europeaness, distinguishing between historical and social science literatures. The concluding part makes suggestions for future research, which may help to further advance our understanding of economic Europeaness.

Economic Europeaness as Economic Structures, Styles and Value Systems

Macro level

At the most general level, economic Europeaness is often associated with a set of broad principles of economic organization, which are juxtaposed to US (and increasingly also Asian) patterns. As Hartmut Kaelble has demonstrated, such juxtapositions have a long pedigree—already in the late nineteenth and early twentieth centuries, travel writers characterized European capitalism as more restrictive yet at the same time less cutthroat and crisis-prone than its American counterpart (see Kaelble 2001, 110–23). In its inferiority variant, this reflected anxiety about European lags in terms of growth and technological innovation while a more optimistic reading usually emphasized the sustainability of the European model, which is allegedly better able to reconcile economic efficiency and social equity and stability.

Over the last two decades, a double transformation has helped to turn these themes into a major academic growth industry. On the one hand, the deepening of European economic integration following the Single European Act (1987) and the Maastricht Treaty (1992), and the concomitant debate about the future of the welfare state entailed an upsurge of reflections about the “European social model” (see e.g., Schmid and Kaelble 2004). And, as the scope of EU policy further widened—most notably in the fields of fiscal and monetary policy—this debate moved beyond the original welfare state focus; today, many scholars prefer to write about a

European *socioeconomic* model. On the other hand, the end of the Cold War and the subsequent global liberalization trend of the 1990s provoked widespread debates about the convergence or divergence of economic practices and policies across the globe, and typologies of economic models proliferated. Most of these typologies retained the nation-state as their unit of analysis (see Hall and Soskice 2001), yet, analogous to the literature about “multiple modernities” (see Eisenstadt 2001), there also emerged a vivid debate on the existence of distinct macro-regional economic models (see e.g. Katzenstein 2005).

Against this backdrop, a large body of scholarship from various disciplines now connects economic Europeanness to a similarly characterized model of socioeconomic organization. The Austrian economists Karl Aiginger and Alois Guger (2005), for example, conceptualize Europe’s socioeconomic model as based on the three principles of responsibility, regulation, and redistribution: responsibility denotes welfare state protection from market vagaries, regulation relates to the interventionist role of European states in product and labor markets, while redistribution is associated with a relatively limited degree of income inequality and comparatively elevated tax levels. The British sociologist Anthony Giddens (2006, 6–7) likewise highlights the combination of economic prosperity and job creation with an “interventionist” state, a “robust” welfare system and the containment of inequality, and he additionally emphasizes the regulatory role played by the social partners. In a similar vein, the political scientists Maurizio Ferrera, Anton Hemerijck, and Martin Rhodes list “extensive basic social security coverage for all citizens, a high degree of interest organization and coordinated bargaining and a more equal wage and income structure than in many other parts of the world” (2001, 174). Interestingly, these themes are also echoed by a growing number of non-European scholars. In the United States, prominent economists like Paul Krugman and Joseph Stiglitz have repeatedly argued that Europe presents an alternative socioeconomic model, which is better able to reconcile economic efficiency and social equity; during the recent crisis, Krugman has vehemently warned European leaders against compromising this achievement through excessive austerity measures (Krugman, 2011). Even Chinese scholars have shown a growing interest in the analysis of Europe’s socioeconomic fabric, which they see frequently based on the German “social market economy” model (see e.g., Wang He 2008).

While this literature thus revolves around a few common general themes, it is important to highlight that there are significant differences in the more concrete conceptualizations of economic Europeanness, and that these conceptualizations have also changed over time. Recently, the perhaps most salient (and controversial) shift has been the growing trend to see state welfare primarily as a “productive” (or social) investment rather

than a protective device (see Andersson 2004, 2007), and scholars propounding notions like “flexicurity” and “employability” see their role at once as defenders and reform-minded critics of “traditional” European models (for a typical example see Giddens 2006). The conceptualization of economic Europeanness as a set of “objective” socioeconomic values and practices has difficulties to accommodate such subtle transformative processes.

But this may seem a rather minor problem. A much more fundamental critique is that a European socioeconomic model is little more than a nebulous idea that melts into the air under closer scrutiny. Whether in terms of welfare state development (Esping-Andersen 1990), or traditions of business-labor relations (Crouch 1993), there are, in fact, enormous intra-European differences. Moreover, a close look at concrete measurements like Gini coefficients or welfare expenditures reveals that some non-European states conform better to the alleged model than a number of “insiders” (Gill and Raiser 2012)—a problem that has become particularly acute with the fall of the Iron Curtain and the “European return” of the former Soviet bloc countries (see Höpner and Schäfer 2012). Unsurprisingly, against this backdrop, European countries are usually allocated to very different clusters (“liberal,” “coordinated,” “state-led,” etc.) in the comparative political economy scholarship on “varieties of capitalism” (see Hall and Soskice 2001). Indeed, one of the leading authorities in the field has categorically denied the existence (or possible emergence) of a “European” model of capitalism (Amable 2008).

One could object to these arguments that any ideal type-like classification—whether “liberal,” “dependent,” or “European”—inevitably runs into problems in terms of internal diversity. After all, national varieties of capitalism likewise display a great deal of sectoral and regional heterogeneity. Yet, this only raises larger questions: In light of the ongoing debate about Europe’s borders (see Kocka 2007), which territories should be included to define the “average” standard of a European socioeconomic model? And, still more radically, on which grounds should “Europe” be selected as a meaningful “average” standard in the first place?

Answers to such questions, I believe, are ultimately impossible without reference to contemporaries’ own perceptions—the study of economic Europeanness, in other words, cannot be confined to the observation of allegedly unique structures or practices, but also needs to address the question whether these structures and practices are actually perceived and “labeled” as “European” by the historical actors themselves. In this respect, however, the above reviewed literature is highly deficient. Most accounts of European socioeconomic models are based on some rough “objective” cross-continental comparisons (primarily with US patterns) in terms of economic values and principles, or statistical data on indicators like welfare state ex-

penditure or income inequality. Alternatively, some authors deduce notions of a “European variety of capitalism” or a “European economic order” (Hölscher 2006) from a textual analysis of European Union treaties and documents—without addressing the question whether or not such models have been perceived as “European” by historical actors (beyond EU bureaucrats and European studies scholars). Incidentally, this is a problem that bedevils a whole range of other, less wide-ranging conceptualizations of economic Europeanness as well—for example, when scholars inquire into the notion of a “European automotive production system” (Jürgens 2003). That Europeanness perceptions cannot simply be taken for granted is clearly demonstrated by Hartmut Kaelble’s studies of European consumption patterns. As Kaelble highlights, the detection of certain distinctive traits by external observers does not guarantee that these characteristics have been experienced as “European” by contemporaries (see Kaelble 2007).

The need to include the study of intersubjective meanings is further highlighted by the fact that economic Europeanness may also be conceptualized in an altogether different way, i.e., in relation to the supranational economic integration of the continent. If, as in some renderings (Gill and Raiser 2012) integration is seen as complementary to broader notions of European socioeconomic organization, this may seem unproblematic. There is, however, a growing body of scholarship that precisely disputes this complementarity. In these accounts, European economic integration is characterized by a growing bias between “negative” and “positive” integration, whereby “negative” integration denotes the removal of obstacles to the cross-border flow of goods and capital, while “positive” integration refers to the development of supranational social and economic policy competence at EU level (see Scharpf 2002).

From this point of departure, many scholars associate economic Europeanness exclusively with market liberalization processes, which, moreover, increasingly undermine rather than bolster national welfare state achievements. Chronological narratives vary. Höpner and Schäfer (2007), for example, depict a linear process of growing European market encroachments on national socioeconomic patterns, which started with a set of seminal ECJ rulings on mutual product recognition (“Cassis de Dijon,” “Dassonville”) in the 1970s and has now culminated in a “post-Ricardian” phase, in which EU policies exert massive pressure on member states to shift toward “Anglo-Saxon” capitalism. For Stråth and Schulz-Forberg (2010), by contrast, the 1970s witnessed the most sustained attempt to complement European market integration with a social dimension in the guise of Keynesian fiscal and monetary policies, and the establishment of tripartite consultation structures. However, this historical opportunity was missed in the wake of the 1973 oil crisis, and the

subsequent neoliberal shift cemented the market bias of European economic integration, which started to pose a growing threat to social cohesion in the member states (2010).

Differences in detail aside, these accounts conceptualize economic Europeaness as dissociated from—and increasingly in tension with—the allegedly European type of socioeconomic organization highlighted above. Others even portray European economic integration as a danger to the survival of a distinct “European way”—in the words of Jason Beckfield, the EU’s “‘market fundamentalism’ since the Single European Act . . . has accomplished the Americanization of the European Social Model” (2012, 1).

It is not my concern here to discuss the respective merits and drawbacks of these highly contrasting assessments. Much more importantly for the purpose of this article is the mere existence of such contrasts, which clearly points to the enormous difficulties involved in the search for some “objective” definition of economic Europeaness. Indeed, one is tempted to conclude that any such attempt is bound to fail unless it is accompanied by an analysis of the ways in which “Europe” as a discursive category and practice is subjectively perceived and communicated. In this respect, however, the literature reviewed above is highly deficient.

Micro level

In parallel to the vivid debate about the broad contours of Europe’s socioeconomic fabric, recent decades have also seen the emergence of a—much less noticed—debate about economic Europeaness at the micro level of the firm. Indeed, intriguingly, this debate in many ways mirrors the broader themes of economic Europeaness identified above: On the one hand, it revolves around the question whether European firms display some specific traits—be it in terms of structures, company cultures or management styles. On the other hand, economic Europeaness is associated with various measures through which firms integrate their operations across the continent.

A burgeoning literature seeks to define the specific characteristics of the “European firm” through explicit or implicit cross-continental comparison. One way to do this is to look at company structures. There is, for example, a widespread view among business scholars that Europe stands out due to the prominent role played by family firms, while other accounts highlight the significance of specific corporate forms such as the holding company (Mayer and Whittington 1996). A different strand of literature focuses on specific product-related competences of European firms—environmental technology is perhaps the most frequently cited example in this regard (see e.g., Gerybadze 1998). Yet others are concerned with the identification of a “European management style” with a set of core characteristics such as an

alleged unique sensitivity to cultural diversity and a strong sense of social responsibility toward employees and communities (see e.g., Calori and de Woot 1994). The latter aspect is part of a broader argument contrasting a European “stakeholder” with a US “shareholder” enterprise model—chiefly expressed in European schemes of worker participation (now also including Europe-wide consultation in European works councils) and closer business-government relations (Schröter 2008, 19–21).

From a very different perspective, the Europeanness of firms has been associated with the degree to which operations are organized across borders. One way to do this is to focus on ownership patterns (examined by Servan-Schreiber as early as 1967), which translates into special attention to the development of cross-border mergers within the European Union (see Schröter 2008, 9–10). Other approaches target business strategies and structures, rather than ownership patterns, i.e., the “European” character of a firm is determined by the geographical spread of production and sales. On the one hand, this view builds on Rugman’s work on “regional multinationals” (see Rugman 2005), which highlights that even today most multinational corporations have a clear production and sales focus on one of the three major economic blocs (North America, Europe, or Asia). On the other hand, Europeanness here “requires” geographical spread *within* Europe. Put succinctly, the most “European” firms don’t display a strong “home country” bias in production organization and sales, while most of their business is done in Europe (as opposed to other world regions). A similar two-level criterion can be derived from staffing policies—Europeanness is here determined by the degree to which firms employ managers from different European (but not from non-European) countries (Schröter 2008, 16).

Yet another path is the analysis of the ways in which company structures and strategies are shaped by supranational European institutions. Here, explorations of economic Europeanness can also be connected to the large literature on business lobbying in the EU (see Greenwood 2007). To take one specific example, the impact of EU regulation on forms of incorporation may be conceptualized as a measure of Europeanness. On the one hand, this refers to those firms that have adopted a specific European type of incorporation in the wake of the implementation of the “*Societas Europaea*” directive in the early 2000s (Keller and Werner 2008). On the other hand, Europeanness can be connected to firms’ choices to incorporate in a country other than their own following the liberalization of incorporation rules by EU regulation and ECJ jurisprudence (Höpner and Schäfer 2007).

As this brief review illustrates, the search for “objective” measures of economic Europeanness has also been pursued at the micro-level of the firm. In many ways, however, this search runs into similar problems that

bedevil macro-level arguments about Europe's economic order or economic model.

Those who highlight distinct "European" corporate structures and cultures are faced with fundamental objections as to the existence of such common European patterns. Mirroring the macro-level "varieties of capitalism" literature, most business scholars draw sharp intra-European distinctions regarding corporate organizational models. Leading authorities like Whitley and Kristensen deliberately speak about European business *systems* to highlight the contrasting ways in which firms are embedded into distinct national environments (Whitley and Kristensen 1996). At most, in this view, such national specifics can be grouped together in several broad clusters. Likewise, many studies of management styles have highlighted distinctions between "Nordic," "Anglo-German," and "Romanic" types (e.g., Macharzina, Oesterle, and Wolf 1998) rather than common European characteristics. In the field of management-labor relations, too, European commonalities are usually seen as spurious in light of the enormous diversity of worker participation schemes across the continent (see e.g., Knudsen 1995). Importantly, moreover, intra-European convergence trends in corporate organization—to the extent that they exist—may be driven by broader transnationalization ("Americanization") pressures (see Zeitlin and Herrigel 2000) and may thus tend to erode rather than strengthen European distinctiveness.

The equation of corporate Europeanness with measures of cross-border integration is also rather problematic. For example, with regard to ownership, there is no clear yardstick as to when cross-border mergers can be considered as "European" rather than bi-national (or tri-national) or, more broadly, "transnational" (Schröter 2008, 9). Measures of geographical concentration of production and sales run into similar problems—in how many countries does a firm need to be active to be classified as "European"? In fact, in terms of production and sales spread (lack of "home bias"), many US- and Japanese-owned multinationals are more "European" than indigenous firms (Schröter 2008, 10; Jones 2005, 92–100). Adoption of EU-driven incorporation forms is not a very good indicator of Europeanness either; preliminary research on the setup of SE's confirm that many of these cases are better described as national firms with some operations in a neighboring country. It should also be noted that—as at the macro-level—integration-type Europeanness arguments may conflict with broader assessments of a European corporate model or style—in Germany, for example, there is a vivid debate about how EU liberalization of incorporation rules may threaten established patterns of worker participation (Höpner and Schäfer 2007).

Ultimately, the main problem is the same as in the case of the macro-level literature surveyed above, namely the nearly complete lack of atten-

tion to the “subjective” side of perceived and communicated European-ness. Schröter (2008) admits as much and accepts that it is ultimately not possible to identify the European “character” of a firm without taking into account its “European commitment” or “European identity.” And yet, in terms of empirical research, such questions have so far remained undressed.

A Different Approach: Economic Europeanness as Construction

So far, I have reviewed literature that associates economic Europeanness with a set of “objective” characteristics (economic structures, values, processes, etc.), which can be identified, measured, and explained. As demonstrated, however, this approach runs into several serious problems, including the conceptualization of change over time, and the difficulty to reconcile different or even contradictory notions of Europeanness. Most importantly, an essentialist understanding of economic Europeanness neglects the problem of whether the alleged “objective” characteristics are in fact, perceived and experienced as “European” by the contemporaries.

These problems can be overcome if the inquiry starts from a radically different assumption, namely that economic Europeanness is a category of discourse and practice, rather than an “objective” phenomenon. From this constructivist point of view, the exploration of economic Europeanness is here synonymous with the analysis of the ways in which economic structures, values, or processes acquire “European” meanings. Economic Europeanness, in other words, exists only inasmuch as we can find evidence that economic thought and practice is indeed experienced as “European.”

Such a perspective can draw on several strands of literature. From a conceptual point of view, it is inspired by the constructivist school in international political economy (see Abdelal, Blyth, and Parsons 2010) and, more specifically, by the scholarship that seeks to trace the construction and reconstruction of territorially-based “imagined economies” (see Herrera 2005). There are obvious connections here to constructivist nationalism studies, and hence to the growing number of studies that have identified economic phenomena—from “work cultures” (see Conrad 2006) to national product branding (see Kühschelm, Eder, and Siegrist 2012)—as part and parcel of national imagined communities. And, as the new literature on “economic patriotism” (see Clift and Woll 2012) suggests, this subject can in principle be conceptualized as a multi-level phenomenon; food and agriculture, for example, are often associated with specific local as much as national communities (see e.g., Wilson 2006). Due methodological caution provided, there is no reason why such a perspective could not be extended to the supranational European level (see Rosamond 2012).

On the other side, a constructivist approach to economic Europeanness can be embedded in the vast literature addressing the issue of “European self-understanding” (Kaelble 2001) and “European identity” (for an introduction, see Risse 2010). Historians and social scientists have connected such notions of European collective belonging to the economic sphere in various ways, and I will come back to that in more detail later. However, a constructivist approach to economic Europeanness does not need to confine Europeanness to notions of imagined collective belonging. Instead, economic Europeanness can be conceptualized in a broader sense as a set of discourses and practices (by Europeans and non-Europeans alike) that have constructed and reconstructed “Europe” as an economic space. In other words, European economic identities are just one among other aspects of economic Europeanness. In fact, such an understanding can be connected to new approaches to study processes of “Europeanization” (see e.g., Hirschhausen and Patel 2010) that highlight the multiple and often contested ways in which notions of “Europe” and “Europeanness” have been produced and reproduced. So far, most of this literature concentrates on political and cultural areas of inquiry (2010) but, as we shall see in more detail below, there is also a growing body of scholarship concerned with construction of “Europe” as an economic space.¹

In methodological terms, this approach combines the analysis of discourses as well as practices—it seeks, in other words, to understand processes of “imagining” as well as “enacting” economic Europe. As Hirschhausen and Patel (2010, 7–11) highlight, both elements are important. On the one hand, the analysis of “Europe imagined” highlights the crucial role of cultural representations—language, above all, but also other forms of representations such as maps, pictures, or symbols—for the construction of Europeanness. On the other hand, we can not treat these cultural representations as “free floating” but need to understand how “specific notions of Europe . . . have been put into practice” (2010, 9).

In what follows, I review such constructivist approaches to economic Europeanness in historical and social science literatures.

¹ From a conceptual point of view, however, “Europeanization” seems less appropriate for a constructivist approach. On the one hand, the Europeanization literature is to date dominated by the narrow and ahistorical study of interactions between EU institutions and political systems in member states (see Flockhardt 2010). On the other hand, even in its more interesting encompassing meaning, Europeanization research often includes processes, which contemporaries do not necessarily associate with notions of “Europe.” Hartmut Kaelble and Martin Kirsch (2008, 13–18), for example, conceptualize Europeanization as a six-dimensional process, which occurs in part (e.g. with regard to the convergence of social structures) without an explicit “labelling” as “European.”

Economic Europeanness in Constructivist Perspective: Historical Literature

Over the last two decades, our understanding of imaginations as well as “enactments” of economic Europeanness has been massively advanced in a variety of fields. To start with, thanks in large part to the work of a group of French, Belgian, Italian, and German historians, we now know a great deal about how business and industrial elites have perceived Europe as an economic space since the early twentieth century (for overviews see Badel 2004; Bussière, Dumoulin, and Schirmann 2006, 2007).

It is difficult to provide a brief summary of the multifaceted results of this literature but a few key aspects can be highlighted. First, it is noteworthy that perceptions of Europeanness among business milieus already emerged during the interwar period, driven by growing perceptions of the interdependence of continental economies, and, still more importantly, by the new “American challenge.” More than anything else, it was the growth of US investments in Europe and the fearful fascination of many industrialists with US technology, corporate organization, work practices, and marketing techniques (see Zeitlin and Herrigel 2000) that pushed them to embrace a new, “European” perspective. The first plans for a European free trade area or customs union—advanced, for example, by Coudenhove’s Europe-Union—were also to a large extent motivated by the aim to overcome the perceived disadvantage of European firms vis-à-vis their US counterparts that were able to operate in a large internal market. The association of economic Europeanness with measures of cross-border integration thus by far predates postwar integration. However, this sense of Europeanness remained relatively weak and was overshadowed by continued and much stronger local and national allegiances—indeed, the latter shaped “Europeanness” in country-specific ways (Badel 2004, 21).

Moreover, depending on the sector and industry concerned, the understanding of economic Europeanness meant very different things in terms of the associated principles of socioeconomic organization. In agriculture, for example, a new sense of Europeanness revolved around a strong preference for state interventionism and the protection of European markets, coupled with a shared commitment to the mythical figure of the “European” family farmer (Bluche and Patel 2009). More broadly, Bussière, Dumoulin, and Schirmann (2006) distinguish between two European economic visions: *l’Europe organisé* and *l’Europe du libre échange*. The former denotes the preference in certain countries and sectors (e.g., steel) for a “controlled” form of capitalism (inter-firm coordination, industrial policy etc.), while the latter—and increasingly dominant—saw “Europe” primarily as a project of market liberalization. Interestingly, these different visions can be connected to contrasting geographical notions—the advocates of *l’Europe organisé* envisaged a self-contained “core Europe” based on French-German coopera-

tion, while those favoring “pure” market liberalization sought to create a much wider economic area, which, moreover, was often merely seen as the first step toward global (or at least transatlantic) market integration. Indeed, Bussière, Dumoulin, and Schirmann (2009) have suggested that the history of postwar European economic integration can be described as a continuous battle between these two approaches and the associated alternative market geographies.

This historical research thus clearly testifies to the long-term existence of an “imagined economic Europe” at least among the business elites, and it demonstrates that these perceptions were from early on tied to the idea of an integrated economic space. More importantly still, the highlighted plurality of understandings of what constitutes a “European” model in terms of socioeconomic organization underlines the futility of attempts to come up with an all-embracing “objective” definition. Along the lines suggested by Bussière, Dumoulin, and Schirmann (2009), it seems much more fruitful to conceptualize this as a continuous and often contentious debate between very different visions of Europeaness.

Apart from a certain fixation on continental “core Europe,” the work on business elites’ perceptions has primarily been criticized for its bias toward “imagined Europeaness” and the missing connections to economic practices and policies. More recently, several historians have sought to fill this gap, in particular regarding the question of supranational EC/EU policies. To start, scholars have picked up on the general distinction between “core/organized Europe” vs. “Atlantic/liberal Europe.” While confirming the categorical usefulness of this distinction, many of them have advanced a more nuanced empirical picture across countries, sectors, and even firms (for an overview see Rasmussen 2010).

A great deal of other historical work has dealt with the ways in which more specific visions of economic Europeaness have informed a variety of supranational policies. Bluche and Patel, for example, have highlighted the importance of the image of the “European family farmer” for the early history of the Common Agricultural Policy (CAP) and have thus made a powerful argument against the prevailing interpretations of the CAP as a pure bargain between member state interests (Bluche and Patel 2009). Likewise, recent studies (e.g., Leucht 2009) have highlighted the importance of a new European vision of competition policy, which merged elements of US anti-trust law and German ordoliberalism, and which was at the heart of the EEC’s supranational competition policy since the 1950s. Yet other historians have pointed to the new EEC economic development cooperation paradigm, which emerged out of common European experiences of colonialism and decolonization (see e.g., Rempe 2012).

While this literature has yielded many new insights, arguably its most important shortcoming is the narrow focus on supranational economic

policies and hence on the post-1945 period. This cannot be said of yet another strand of recent historiography, which seeks to explore notions of economic Europeanness through the study of technology and infrastructure networks. The primary contribution to this literature has come from two large collaborative research projects—"Inventing Europe" and "Tensions of Europe"—directed by the Dutch scholar Johan Schot, final results of which are now published in the six-volume study, *Making Europe* (Schot and Scranton 2013).

This literature seeks explicitly to combine the study of "imagining and living Europe": on the one hand, it seeks to trace the ways in which new infrastructures, technological networks, standards, and other material artefacts have shaped imaginations of "Europe," but on the other hand it also aims to shed light on the appropriations of these infrastructures in everyday life—and thus the ways in which users shape and reshape a sense of "banal Europeanness." Objects of inquiry include European transport infrastructures like railways, highways, and waterways, data communication systems like telegraphs and television, as well as energy networks and electricity circuits (for overviews see Misa and Schot 2005; Schipper and Schot 2011).

Again, space does not permit to discuss this body of work in any detail but a few general conclusions can be highlighted. First, a focus on infrastructure and technology allows tracing of economic Europeanness in a longer-term perspective back to the nineteenth century. EC/EU policies in this field have been important since the 1970s yet they built upon a huge number of earlier initiatives (Misa and Schot 2005). Second, the literature underlines the need to treat "Europe" not as a fixed geographical entity, as the scope and coverage of infrastructure networks has varied considerably across time and sectors. For example, as Thiemeyer (2009, 314–15) demonstrates, the Danube was not perceived as a "European" river prior to the Crimean War when the Ottoman Empire was admitted into the European concert of powers. The geography of European railway and highway systems likewise shifted considerably across time. Third, and finally, this literature once more highlights that economic Europeanness needs to be studied against the backdrop of broader global developments—from the colonial period to contemporary globalization (Misa and Schot 2005, 8).

Economic Europeanness in Constructivist Perspective: Social Science Literature

In the social science field, it is apposite to start with important conceptual contributions to the constructivist literature on economic Europeanness. One such contribution has been the introduction of the term "economic patriotism" where "Europe" has been conceptualized as one among other

possible territorial economic allegiances (including local and national patriotism), which manifests itself in discourses and practices of “discrimination” in favor of “territorial insiders” (see Clift and Woll 2012). Depending on the ideological foundations in question, scholars often distinguish between “conservative” and “liberal” forms of economic patriotism (2012)—reminiscent of historians’ debate about competing visions of a European economic order.

More specifically related to Europe, Ben Rosamond has provided additional conceptual insights. Going beyond a concern with actor-, sector-, or country-specific constructions of economic Europeanness, Rosamond questions the “taken for granted” notion of a “European economy” itself. Using Commission discourse on “European competitiveness,” Rosamond demonstrates that the very idea of a “European economy” is not self-evident but constructed through discursive practice—the author highlights that this idea did not appear in Commission discourse prior to the 1980s and was then introduced to bolster legitimacy for the Single Market project (Rosamond 2002, 2012).

Next to these conceptual contributions, the empirical literature on manifestations of “imagined” or “enacted” economic Europeanness has also grown considerably in recent years. Regarding the debate on “imagined” Europeanness, I would like to highlight two contributions that can be connected to the earlier discussion of historical work on European identities of economic elites. In a massive recent project, a collaborative research team led by Heinrich Best from Jena engaged in a study “into the Europeanness of Europe’s political and economic elites” (Best, Lengyel, and Verzhichelli 2012). The sample included eighteen countries, and in the case of economic elites, surveys targeted CEOs of the 500 largest firms, as well as leaders of banks and employers’ organizations in each country. Interestingly, while the surveys testified to a consistent elite support for European political and economic integration, the authors’ initial assumption of a coherent “Eurelite” was falsified, as the studies found very large cross-country differences. Interestingly, too, economic elites in most countries appear to endorse a pragmatic “middle of the road” Europeanness, which eschews both utopian notions of a future European federal state and Euro-sceptic attitudes to be found among one part of political elites. Finally, the data demonstrated that there is a considerable gap in European identification between elites and broader strata of the population.

This last finding chimes well with another important and controversially discussed study, namely Neil Fligstein’s “Euroclash” (2008). Based on a modified version of Karl Deutsch’s interaction-based theory of community formation, Fligstein argues that European identities reflect primarily the increase in intra-European interaction in various fields over the last decades, and he ascribes particular importance to the economic sphere in this

regard. Using Eurobarometer polls, he is able to demonstrate a clear elite bias in attachments to Europe—groups with lower education and income levels are portrayed as “losers” of European integration, and who remain “staunchly wedded to a national worldview” (Fligstein 2008). This sensitivity to the elite–mass gap is one of the main merits of the social science scholarship as compared to the above surveyed historical literature. However, on several other accounts, that scholarship is disappointing. In particular, too little attention is paid to change over time, and elite perceptions are portrayed in a curiously uniform way. In Fligstein’s account, for example, economic Europeanness accounts to little more than a commitment to market liberalization, alternative visions are not mentioned, while critiques are lumped together under the “Eurosceptic” label.

Moving from “imagined” to “enacted” Europeanness, it is not surprising that most of the social science literature in this field relates to supranational EU economic policy. Monetary policy is in the forefront. A range of studies is concerned with the European institutions’ identity politics regarding the EMU. This started already off in the late 1990s with the pioneering study by Chris Shore (2000), who highlighted ways in which EU institutions sought to legitimize the introduction of the Euro through an ambiguous mix of discursive strategies, which uneasily combined the portrayal of EMU as a technical economic issue devoid of broader political meaning, and, on the other hand, an emphasis on the importance of EMU for the broader “European project,” often couched in teleological terms as a further and audacious step of European history-making—appropriately, public information exercises positioned the Euro into a monetary history going back to Ancient Greece and Rome.

Shore (2000) also pioneered the study of the symbolic dimension of Euro banknotes and coins themselves with their modernist design devoid of concrete people or buildings, and the emphasis on the Euro as bearer of “progress” (sequence of architectural styles in values) and openness (bridges, arches as symbols). This line of research has been further developed in recent years (see e.g., Calligaro 2011).

Other political scientists have been primarily interested in the question how EMU has been associated with very different notions of Europeanness in different countries—depending on the broader differences in the European dimensions of national identities (Risse 2010). Yet others have focused on the narrower issue of how a transnational network of experts pushed the idea of central bank independence to become the dominant paradigm of EMU governance (Marcussen 1999).

Next to monetary policy, several authors have connected notions of economic Europeanness to the CAP (Goff 2005), with focus upon a “European” emphasis on food quality, safety, and regional variety, the latter upheld not least through the protective labeling of allegedly unique

regional products such as Roquefort cheese, Parma ham, and the like. In the field of external trade, Michael Strange (2007) has sought to demonstrate how WTO negotiations help to produce a sense of European identity in juxtaposition to other world trading blocks.

Conclusions and Suggestions for Further Research

The main conclusion from this review is rather straightforward, namely that it is only through a constructivist research agenda that the question of economic Europeaness can be appropriately addressed. However, the review of the constructivist literature also revealed gaps and shortcomings, and I would therefore like to suggest several avenues through which such constructivist research can be further developed in the future.

First, there is a need for a systematic and historically informed exploration of the construction of “Europe” as an economic space. Here, we can build on conceptual literature on “imagined economies” (see Herrera 2005) and the pioneering work of Rosamond on Europe. However, his focus is clearly too much on the present and too heavily concentrated on the role of EU institutions. The issue should be approached more broadly. Questions to be asked should include the following: Since when and by whom has “Europe” been referred to as a distinct economic space, and how have such conceptualizations changed over time? Has the idea of “Europe” as economic space primarily been associated with the idea of an integrated economic space, as is the case with the early plans for a customs union in the interwar period, or more with ideas of specific principles of economic organization? Or was it something else altogether? For example, economic historians started to write “European” histories in the interwar period as well, and they defined the “European” nature of their object of inquiry primarily as the model role they saw Europe played for economic development in other parts of the world (see e.g., Heaton 1936).

This analysis of “naming” the “European” economy should be supplemented by an equal attention to “mapping.” Here, we can draw on the insights of the by now large literature on infrastructure networks that has highlighted the variable geography of Europe. This could be taken up in a more systematic approach, which also looks at the partially overlapping maps of envisaged European macro-spaces (OEEC, EFTA, EEC), as well as corporate production or retail circuits. Shifts over time are particularly interesting, especially with regard to external borders: When and for what reasons did European economic maps include or exclude the British Isles, Russia, Turkey, etc.? Such questions are relevant even today—witness, for example, the strange maps depicted on contemporary Euro banknotes, which have a blurred Eastern border.

Next to naming and mapping, an analysis of “measuring” is also crucial. Little has so far been written about the importance of statistics for the construction of a European economic space. This is all the more surprising because of the importance attached to the measuring of national space for national identity constructions (see Tooze 2004). At the European level, there is interesting anthropological research about how Eurostat data seeks to create notions of the “average European” and how such notions are increasingly appropriated in different countries as comparative benchmarks to “test” the effectiveness of national practices and institutions (Johler 1999). So far, however, this research lacks systematic treatment with regard to economic statistics. That such an approach has potential to advance understanding of Europeanness is also confirmed by recent critical studies documenting Eurostat’s persistent Europhile bias in terms of survey methodology (Höpner 2011).

Finally, there is a need for a historically informed analysis of the debate about Europe’s socioeconomic “model.” Based on the above critique of essentialist notions, such an analysis would conceptualize the topic as a continuous and contentious debate, which is always informed by contemporary conditions, actor-specific interests, and economic cultures. We can build here on historical and social science scholarship on elite perceptions, but this needs to be embedded in a more encompassing approach, which gives due space to non-elite actors and engages systematically with the problem that the question has for several decades been discussed as a two-level issue, i.e., the European nation-states and the European Community/Union. Perhaps most importantly, since conceptions of “Europe” differ across countries even in terms of their debate context (see Malmberg and Stråth 2002), future analysis must recognize the highly malleable nature of multiple possible “Europes.”

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Central European University Press

Budapest – New York

Sales and information:

ceupress@press.ceu.edu

Website: **<http://www.ceupress.com>**

ISBN 978-963-386-198-1

